PYRAMID OIL CO
Form 10-K
March 30, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

x Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2011

¨ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____________ to ______________

Commission File Number 001-32989

PYRAMID OIL COMPANY

(Exact Name of registrant as specified in its charter)

CALIFORNIA (State of other jurisdiction of incorporation or organization)	94-0787340 (I.R.S. Employer Identification No.)
2008 – 21st. Street. P.O. Box 832, Bakersfield, California (Address of principal executive offices)	93302 (Zip Code)
Registrant's telephone number:	(661) 325-1000

Securities registered pursuant to Section 12 (b) of the Exchange Act:

Common Stock	NYSE AMEX
(Title of each class)	(Name of each exchange on which registered)

Securities registered under Section 12 (g) of the Exchange Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ¨ No x

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 ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated Filer	¨
Non-accelerated filer ¨	Smaller reporting company	x

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

The aggregate market value on June 30, 2011, (the last business day of the registrant's most recently completed second fiscal quarter) of the voting shares held by non-affiliates was approximately $12,482,000 based on the closing sales price of the registrant's Common Stock on such date.

At March 30, 2012, there were 4,683,853 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for its 2012 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission within 120 days after the close of the registrant's fiscal year are incorporated by reference into Part III.

PYRAMID OIL COMPANY

2011 FORM 10-K ANNUAL REPORT

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CAUTIONARY STATEMENT FOR PURPOSES OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 AND OTHER FEDERAL SECURITIES LAWS

Pyramid Oil Company is including the following discussion to inform existing and potential security holders generally of some of the risks and uncertainties that can affect the Company and to take advantage of the "safe harbor" protection for forward-looking statements afforded under the federal securities laws. Statements made in this Annual Report on Form 10-K may be forward-looking statements. In addition, from time to time, the Company may otherwise make forward-looking statements to inform existing and potential security holders about the Company. These statements may include projections and estimates concerning the timing and success of specific projects and the Company's future (1) income, (2) oil and gas production, (3) oil and gas reserves and reserve replacement and (4) capital spending. Forward-looking statements are generally accompanied by words such as "estimate," "project," "predict," "believe," "expect," "anticipate," "plan," "goal" or other words that convey the uncertainty of future events or outcomes. In addition, except for the historical information contained in this report, the matters discussed in this report are forward-looking statements. These statements by their nature are subject to certain risks, uncertainties and assumptions and will be influenced by various factors. Should any of the assumptions underlying a forward-looking statement prove incorrect, actual results could vary materially.

PART I

Item 1 - Business

General Business Description

Pyramid Oil Company is a California corporation that has been in the oil and gas business continuously, since it was incorporated on October 9, 1909. Pyramid Oil Company, hereinafter referred to as "Pyramid" or the "Company", is engaged in the business of exploration, development and production of crude oil and natural gas.

Pyramid acquires interests in land and producing properties through acquisition and lease on which it drills and/or operates crude oil or natural gas wells in efforts to discover and/or to produce oil and gas. Crude oil and natural gas produced from these properties are sold to various refineries and pipeline companies. The majority of all oil and gas properties that Pyramid owns and operates, is for its own account. Pyramid also participates in specific joint ventures with other companies in the development of oil and gas properties. Pyramid's interests in these properties will vary depending on the availability of said interests and their locations. Although the Company owns some minor oil and gas interests in New York, Texas and Wyoming, all of the Company's operations and major revenue producing properties are in California.

The Company's executive offices are located at 2008-21st Street, Bakersfield, California, 93301, telephone (661) 325-1000, facsimile (661) 325-0100.

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Description of Business - Oil and Gas Operations

Exploration and Development.

Pyramid operates in a highly competitive industry wherein many companies, from large multinational companies to small independent producers, are competing for a finite amount of oil and gas resources. The Company seeks out properties to explore for oil and gas by drilling and also seeks out producing oil and gas properties that can be purchased and operated. Management believes that under the right economic conditions, several of the producing properties that the Company owns could have further developmental potential. Certain oil properties currently owned and operated by the Company may be receptive to enhanced oil recovery procedures under certain economic conditions.

Oil and Gas Production Operations.

Pyramid owns and operates 27 oil and gas leases (properties) located within Kern and Santa Barbara Counties in the State of California. Nine of these properties were not operated during 2011. All of these properties were shut-down before January 1, 2011. No other properties were shut-down during 2011. Most of these properties are capable of producing oil or natural gas, although not all of these properties are considered profitable under certain economic conditions. There are no proved reserves attributed to these properties at December 31, 2011. All of the shut-down properties had been written-down in prior periods.

During 2011, the Company operated 18 leases within California, 16 of these leases had total annual gross oil production exceeding 1,000 barrels per lease. Production activities primarily consist of the daily pumping of oil from a well(s) into tanks, maintaining the production facilities both at the well and tank settings, preparing and shipping the crude oil to buyers. Daily operations differ from one property to another, depending on the number of wells, the depth of the wells, the gravity of the oil produced and the location of the property. All of Pyramid's oil production is classified as primary recovery production at this time; although certain properties may be conducive to secondary recovery operations in the future, depending on the prevailing price of oil.

Primary recovery of oil and gas is by means of natural flow(s) or artificial lift of oil and gas from a single well bore. Natural gas and petroleum fluids enter the well bore by means of reservoir pressure or gravity flow; fluids and gases are moved to the surface by natural pressure or by means of artificial lift (pumping). In secondary recovery operations, liquids or gases are injected into the reservoirs for the purpose of augmenting reservoir energy or increasing reservoir temperatures. Secondary recovery operations, usually, but not always, are done after the primary-recovery phase has passed.

The Company employs field personnel (i.e., pumpers, rig crews, roustabouts and equipment operators) that perform basic daily activities associated with producing oil and gas. Daily operations include inspections of surface facilities and equipment, gauging, reporting and shipping oil, and routine maintenance and repair activities on wells, production facilities and equipment. The Company owns and maintains various pieces of equipment necessary for employees to perform various repair and maintenance tasks on Company properties. Such equipment consists of service rigs, mobile pumps, vacuum trucks, hot oil truck, backhoe, trucks and trailers.

Occasionally, the Company drills new wells or redrills existing wells on properties owned by the Company in an attempt to increase the daily oil and gas production. In the last five years, the Company has utilized the services of outside drilling contractors for drilling new wells and redrilling existing wells. Maintenance and repairs of existing wells to maintain or increase oil and gas production are carried out by Company personnel on a continuing basis. Most maintenance and repair work is performed with Company rigs.

Economic factors associated with the price of oil and gas and the productive output of wells determines the number of active wells the Company operates. Under certain economic conditions, the Company has the potential to operate approximately 122 wells, and of these, approximately 53 were in operation during 2011. The Company also owns other oil and gas interests outside of California that it does not operate. These interests are located in Wyoming, Texas and New York.

Marketing of Crude Oil and Natural Gas.

The Company sells its crude oil to ConocoPhillips and Kern Oil & Refining, accounting for approximately 50% and 47%, respectively, of the Company’s crude oil and gas sales in 2011. While revenue from these customers is significant, and the loss of any one could have an adverse effect on the Company, it is management's opinion that the oil and gas it produces could be sold to other crude oil purchasers, refineries or pipeline companies. ConocoPhillips, and its predecessors, and Kern Oil have been customers of the Company for over twenty years. Natural gas is sold to companies in the area of operations. The Company sells its oil pursuant to short-term contracts. Accordingly, the amount of oil the Company sells is dependent upon market demand. Market demand for Pyramid's production is subject to various influences and can never be assured, especially in an era of changing prices. The base values for crude oil the Company sells is set by major oil companies in response to area and market strengths and international influences. Types and qualities of crude oil vary substantially in base values posted by crude oil buyers in various areas of the country. Pyramid's crude oil sales are not seasonal, but uniform throughout the year.

Competition and Industry Conditions

The profitability of the Company's operations depends primarily on the production of oil and gas in commercially profitable quantities. Oil and gas properties often fail to provide a return sufficient to repay the substantial sums of money required for their acquisition, exploration and development. The acquisition, exploration and development of oil and gas properties is a highly competitive business. Many entities with which the Company competes have significantly greater financial and staff resources. Such competitive disadvantages could materially and adversely affect the Company's ability to acquire new properties or develop existing properties.

Regulations

The Company's business is affected by numerous governmental laws and regulations, including energy, environmental, conservation, tax and other laws and regulations relating to the petroleum industry. Changes in any of these laws and regulations could have a material and adverse effect on the Company's business and financial stability. In view of the many uncertainties with respect to current laws and regulations, including their applicability to the Company, the Company cannot predict the overall effect of such laws and regulations on future operations.

Taxation

The operations of the Company, as is the case in the petroleum industry generally, are significantly affected by Federal tax laws. Federal, as well as state, tax laws have many provisions applicable to corporations which could affect the future tax liability of the Company.

Environmental

The Company's activities are subject to existing federal and state laws and regulations governing environmental quality and pollution control. These laws may require the acquisition of permits relating to certain ongoing operations, for drilling, emissions, waste water disposal and other air and water quality controls. In view of the uncertainty and unpredictability of environmental statutes and regulations, the Company cannot ensure that such laws and regulations will not materially and adversely affect the business of the Company. The Company does not currently anticipate any material effect on its capital expenditures or earnings as the result of governmental regulations, enacted or proposed, concerning environmental protection or the discharge of material into the environment. The Company is actively pursuing an ongoing policy of upgrading and restoring older properties to comply with current and proposed environmental regulations.

Commitments and Contingencies

The Company is liable for future dismantlement and abandonment costs associated with its oil and gas properties. These costs include down-hole plugging and abandonment of wells, future site restoration, post closure and other environmental exit costs. The costs of future dismantlement and abandonment have been accrued and recorded in the financial statements. See Note 10 of Notes to Financial Statements included in Item 8 of this Form 10-K.

Other

The Company employed twelve full-time and two part-time people as of December 31, 2011. Three full-time and two part-time people were office or administrative personnel, and the rest were field personnel. The Company contracts for additional labor services when needed. The Company is not a party to any union contract.

The Company had no material research and development costs for the three years ended December 31, 2011.

All of the Company's revenues during 2011 were derived from domestic sources.

The Company does not have any patents or trademarks, and it does not believe that its business or operations are dependent upon owning any patents or trademarks.

Item 1A - Risk Factors

In addition to other information in this annual report, the following risk factors should be carefully considered in evaluating the Company's business because such factors may have a significant impact on the Company's business, operating results, liquidity and financial condition. As a result of the risk factors set forth below, actual results could differ materially from those projected in any forward-looking statements. Additional risks and uncertainties not presently known to us, or that we currently consider to be immaterial, may also impact the Company's business, operating results, liquidity and financial condition. If any such risks occur, the Company's business, operating results, liquidity and financial condition could be materially affected in an adverse manner. Under such circumstances, the trading price of the Company's securities could decline, and you may lose all or part of your investment in the Company.

Risks Relating to the Company's Business and the Oil and Gas Industry

The company's future performance is dependent upon the company's ability to continue to identify, acquire and develop additional oil and gas properties, the failure of which could result in under use of capital and losses.

The Company's future performance depends upon the Company's ability to continue to identify, acquire and develop additional oil and gas reserves that are economically recoverable. The Company's success will depend upon the Company's ability to continue to acquire working and revenue interests in properties upon which oil and gas reserves are ultimately discovered in commercial quantities, and the Company's ability to develop additional prospects that contain proven oil and gas reserves to the point of production. The successful acquisition and development of oil and gas properties requires an assessment of recoverable reserves, future oil and gas prices and operating costs, potential environmental and other liabilities, and other factors. Such assessments are necessarily inexact and their accuracy inherently uncertain. In addition, no assurance can be given that the Company's future exploitation and development activities will result in the discovery of additional reserves.

The company has a very small management team and the loss of any member of the company's team may prevent us from implementing the company's business plan in a timely manner.

The Company currently has two executive officers and a small number of full time employees and consultants upon whom the Company's success largely depends. We do not maintain key person life insurance policies on the Company's executive officers or consultants, the loss of whom could seriously harm the Company's business, financial condition and results of operations. In such an event, we may not be able to recruit personnel to replace the Company's executive officers or consultants in a timely manner, or at all, or on acceptable terms.

The oil and gas industry is highly competitive, and the company may not have sufficient resources to compete effectively.

The oil and gas industry is highly competitive. The Company competes with oil and natural gas companies and other individual producers and operators, many of which have substantially greater financial and other resources than the Company. The Company's larger competitors, by reason of their size and relative financial strength, can more easily access capital markets than the Company can and may enjoy a competitive advantage in the recruitment of qualified personnel. Competitors may be able to absorb the burden of any changes in laws and regulations in the jurisdictions in which the Company does business and handle longer periods of reduced prices for oil and gas more easily than we can. The Company's competitors may be able to pay more for oil and gas leases and properties and may be able to define, evaluate, bid for and purchase a greater number of leases and properties than the Company can. Further, these companies may enjoy technological advantages and may be able to implement new technologies more rapidly than the Company can. The Company's ability to acquire additional properties in the future will depend upon the Company's ability to conduct efficient operations, evaluate and select suitable properties, implement advanced technologies and consummate transactions in a highly competitive environment.

The company's exploration, development and production activities are subject to certain environmental regulations which may affect the company's costs of operations.

In general, the Company's exploration and production activities are subject to certain federal, state and local laws and regulations relating to environmental quality and pollution control. Such laws and regulations increase the costs of these activities and may prevent or delay the commencement or continuance of a given operation. Specifically, the Company is subject to legislation regarding emissions into the environment, water discharges and storage and disposition of hazardous wastes. However, such laws and regulations are frequently changed and any such changes may have material adverse effects on the Company's activities. The Company is unable to predict the ultimate cost of compliance with such laws and regulations. Generally, environmental requirements do not appear to affect the Company any differently or to any greater or lesser extent than other companies in the industry. To date the Company has not been required to spend any material amounts on compliance with environmental regulations. However, the Company may be required to do so in future and this may affect the Company's ability to expand or maintain the

Company's operations.

Any change to government regulation/administrative practices may have a negative impact on the company's ability to operate and the company's profitability.

The business of oil and gas exploration and development is subject to substantial regulation under federal, state, local and foreign laws relating to the exploration for, and the development, upgrading, marketing, pricing, taxation, and transportation of oil and gas and related products and other matters. Amendments to current laws and regulations governing operations and activities of oil and gas exploration and development operations could have a material adverse impact on the Company's business. In addition, there can be no assurance that income tax laws, royalty regulations and government incentive programs related to the Company's oil and gas properties and the oil and gas industry generally, will not be changed in a manner which may adversely affect the Company's progress and cause delays, inability to explore and develop or abandonment of these interests.

Permits, leases, licenses, and approvals are required from a variety of regulatory authorities at various stages of exploration and development. There can be no assurance that the various government permits, leases, licenses and approvals sought will be granted in respect of the Company's activities or, if granted, will not be cancelled or will be renewed upon expiry. There is no assurance that such permits, leases, licenses, and approvals will not contain terms and provisions which may adversely affect the Company's exploration and development activities.

The company is required to replace, maintain or expand the company's oil and gas reserves in order to prevent the company's future reserves and production from declining, which would adversely affect future cash flows and income.

In general, production from oil and gas properties declines over time as reserves are depleted, with the rate of decline depending on reservoir characteristics. The Company's future oil and gas production is highly dependent upon the Company's ability to economically find, develop, acquire and maintain reserves in commercial quantities.

To the extent cash flow from operations is reduced, either by a decrease in prevailing prices for oil and gas or an increase in finding and development costs, and external sources of capital become limited or unavailable, the Company's ability to make the necessary capital investment to maintain or expand the Company's asset base of oil and gas reserves would be impaired. Even with sufficient available capital, the Company's future exploration and development activities may not result in additional proved reserves, and we might not be able to drill productive wells at acceptable costs.

The oil and gas exploration and production industry is historically a cyclical industry and market fluctuations in the prices of oil and gas could adversely affect the company's business.

Prices for oil and gas tend to fluctuate significantly in response to factors beyond the Company's control. These factors include:

- weather conditions in the United States and where the Company's property interests are located;
- economic conditions, including demand for petroleum-based products, in the United States and the rest of the world;
- actions by OPEC, the Organization of Petroleum Exporting Countries; political instability in the Middle East and other major oil and gas producing regions;
- governmental regulations;
- domestic tax policy;
- the price of foreign imports of oil and gas;

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- the cost of exploring for, producing and delivering oil and gas;
- the discovery rate of new oil and gas reserves;
- the rate of decline of existing and new oil and gas reserves;
- available pipeline and other oil and gas transportation capacity;
- the ability of oil and gas companies to raise capital;
- the overall supply and demand for oil and gas; and
- the availability of alternate fuel sources.

Changes in commodity prices may significantly affect the Company's capital resources, liquidity and expected operating results. Price changes will directly affect revenues and can indirectly impact expected production by changing the amount of funds available to reinvest in exploration and development activities. Reductions in oil and gas prices not only reduce revenues and profits, but could also reduce the quantities of reserves that are commercially recoverable. Significant declines in prices could result in non-cash charges to earnings due to impairment.

Changes in commodity prices may also significantly affect the Company's ability to estimate the value of producing properties for acquisition and divestiture and often cause disruption in the market for oil and gas producing properties, as buyers and sellers have difficulty agreeing on the value of the properties. Price volatility also makes it difficult to budget for and project the return on acquisitions and the development and exploitation of projects. We expect that commodity prices will continue to fluctuate significantly in the future.

Exploratory and developmental drilling and production operations involves many risks that are outside the company's control and which may result in a material adverse effect on the company's business, financial condition or results of operations.

The business of exploring for, developing and producing oil and gas involves a substantial risk of investment loss. Drilling and operating oil and gas wells involves the risk that the wells may be unproductive or that, although productive, the wells may not produce oil or gas in economic quantities. Other hazards, such as unusual or unexpected geological formations, pressures, fires, blowouts, power outages, gas leakage, loss of circulation of drilling fluids or other conditions may substantially delay or prevent completion of any well. Adverse weather conditions can also hinder drilling operations. A productive well may become uneconomic if water or other deleterious substances are encountered that impair or prevent the production of oil or gas from the well. In addition, production from any well may be unmarketable if it is impregnated with water or other deleterious substances. There can be no assurance that oil and gas will be economically produced from all properties in which the Company has interests.

At times the company participates in joint ventures wherein the company is dependant upon the efforts of various third parties that the company does not control and, as a result, the company may not be able to control the timing of development efforts, associated costs, or the rate of production of reserves (if any).

The success of the Company's business interests in certain joint ventures, where the Company owns less than a majority interest depends upon the efforts of various third parties that the Company does not control. As a result, the Company may have limited ability to exercise influence over certain joint venture decisions, operations or costs in certain joint venture activities. The Company's dependence on the operator and, where applicable, other working interest owners for these projects and the Company's limited ability to influence operations and associated costs could prevent the Company from realizing targeted returns on capital in drilling or acquisition activities. The success and timing of development and exploitation activities on joint venture properties operated by others depend upon a number of factors that will be largely outside of the Company's control, including:

- the timing and amount of capital expenditures;
- the operator's expertise and financial resources;
- approval of other participants in drilling wells;
- selection of technology;
- the rate of production of the reserves; and
- the availability of suitable drilling rigs, drilling equipment, production and transportation infrastructure, and qualified operating personnel.

The Company relies upon various consultants and service companies to provide us with technical assistance and services. The Company relies upon the services of geologists, geophysicists, chemists, engineers and other scientists to explore and analyze oil and gas prospects to determine a method in which the oil and gas prospects may be developed in a cost-effective manner. Although the Company's management has relationships with a number of third-party service providers, we cannot assure you that we will be able to continue to rely on such consultants or services in the future.

Risks Related to the Company’s Common Stock

The value of the company's common stock may be adversely affected by market volatility.

The trading price of the Company's common stock fluctuates and may be influenced by many factors, including:

- The Company's operating and financial performance and prospects;
- The depth and liquidity of the market for the Company's common stock;
- Investor perception of the Company and the industry and markets in which the Company operates;
- The Company's inclusion in, or removal from, any equity market indices;
- Changes in earnings estimates or buy/sell recommendations by analysts; and
- General financial, domestic, international, economic and other market conditions.

The company's ability to raise capital in the future may be limited, and the Company's failure to raise capital when needed could prevent the company from executing its growth strategy.

The timing and amount of the Company's working capital and capital expenditure requirements may vary significantly depending on many factors, including future oil and gas prices and the amount of the Company's future oil and gas production.

If the Company's capital resources are not sufficient to satisfy its liquidity needs, the Company may seek to sell additional equity or obtain additional debt financing. The sale of additional equity would result in dilution to the Company's shareholders. Additional debt would result in increased expenses and could result in covenants that would restrict the Company's operations. In addition, the Company may not be able to obtain additional financing, if required, in amounts on or terms acceptable to the Company, or at all.

The company's by-laws do not contain anti-takeover provisions and thus the company's management and directors may change if there is a take-over of the company.

We do not currently have a shareholder rights plan or any anti-takeover provisions in the Company's by-laws. Without any anti-takeover provisions, there is no deterrent for a take-over of the Company. If there is a take-over of the Company, the Company's management and directors may change.

Item 1B - Unresolved Staff Comments

None

Item 2 - Properties

(a) Description of Properties

The principal assets of the Company consist of proven and unproven oil and gas properties, oil and gas production related equipment and developed and undeveloped real estate holdings. The Company's oil and gas properties are located exclusively in the continental United States, in California, Wyoming, Texas and New York.

The general business description and the description of the Company's oil and natural gas operations are described on page 4 under Item 1. Business. Information required by Subpart 1200 of Regulation S-K (Disclosure by Registrants Engaged in Oil and Gas Producing Activities) is also contained in Item 1. and in Item 8. Financial Statements and Supplementary Data, Supplemental Information - Oil and Gas Producing Activities on pages 52 to 56. The preceding information is incorporated by reference into this Item 2.

Developed oil and gas properties are those on which sufficient wells have been drilled to economically recover the estimated reserves calculated for the property. Undeveloped properties do not presently have sufficient wells to recover the estimated reserves. The Company had proved undeveloped reserves of 44,700, 77,700, 96,000, and 9,500 at December 31, 2011, 2010, 2009 and 2008, respectively. The Company had no significant proved undeveloped properties at December 31, 2007.

The Company had proved undeveloped reserves of 44,700 barrels of crude oil at December 31, 2011. These reserves are attributable to two wells that the Company plans to drill in 2012. The Company projects that it will cost approximately $1,281,000 to drill and complete these wells in 2012. One of these wells the Santa Fe #20 well, was drilled and completed in the first quarter of 2012.

The Company had proved undeveloped reserves of 77,700 barrels of crude oil at December 31, 2010. These reserves are attributable to three wells that the Company plans to drill in 2011. The Company projected that it would cost approximately $1,596,000 to drill and complete these wells in 2011. One of these wells the Pike 1-H, a horizontal well, was spudded in March of 2011. The Company is drilling this well in conjunction with a joint-venture partner. The Company is the operator of the joint venture.

The Company had proved undeveloped reserves of 96,000 barrels of crude oil at December 31, 2009. These reserves are attributable to three wells that the Company planned to drill in 2010. The Company projected that it would cost approximately $1,550,000 to drill and complete these wells in 2010. Two of these wells were drilled in 2010. The Anderson No. 10 well was drilled in the first quarter of 2010 at a cost of $481,000. This well was completed and placed into production in the first quarter of 2010 and is currently under production. The second well was drilled in the second quarter of 2010. The CLI No. 4-H, was not completed due to the absence of hydrocarbons and was abandoned as a dry-hole. The cost to drill this well was $867,000. A valuation allowance of $867,000 was recorded in the first and second quarter against the costs of this well.

The Company had proved undeveloped reserves of 9,500 barrels of gas (which represents the crude oil equivalent of 57,000 MCF's, gas production is converted to equivalent barrels at the rate of 6 MCF per barrel, representing the estimated relative energy content of gas to oil) at December 31, 2008. This represents the reserves attributable to a well that was drilled in 2008 on the properties of the Texas natural gas joint venture. Additional work costing approximately $86,000 was expended to develop these reserves in 2009. The results of this effort in 2009 did not generate the anticipated results. A valuation allowance has been recorded against the full capitalized costs of this well.

The Company had proved undeveloped reserves of 79,600 barrels of crude oil at December 31, 2007. These reserves are attributable to two wells that the Company planned to drill in 2008. The Company drilled one of these wells, a development well, in 2008 on the Santa Fe lease. This well was completed and placed on production in 2008. The production results from this well were non- economic and the well was shut-in during 2008. The costs to drill and complete this well were approximately $645,000. A valuation allowance was recorded in 2008 against the costs of this well. The other well that was forecast to be drilled in 2008 was not drilled. The Company reduced its capital budget in 2008 due to lower crude oil sales prices that were experienced during 2008. The reserves for this well were not carried forward into 2009 reserves.

The Company has no material amounts of proved undeveloped reserves that have remained undeveloped for five years or more after disclosure as proved undeveloped reserves.

(b) Oil and Gas Properties

The Company's estimated future net recoverable oil and gas reserves from proved reserves, both developed and undeveloped properties were assembled by MHA Petroleum Consultants, LLC, independent petroleum engineers, and are as follows:

	Crude Oil	Natural Gas

	(Bbls)	(MCF)
December 31, 2011	546,000	42,000
2010	538,000	44,000
2009	506,000	81,000
2008	471,000	155,000
2007	806,000	331,000

The Company’s estimated future net recoverable oil and gas reserves, noted in the above table, have not been filed with any other Federal authority or agency since January 1, 2011.

Using the 12 month average of the first-of-the-month oil and gas prices and 12 month average of lease operating expenses, the estimated value of future net revenues to be derived from Pyramid's proved developed oil and gas reserves, discounted at 10%, were $18,439,000 at December 31, 2011, $13,068,000 at December 31, 2010, $9,158,000 at December 31, 2009, $4,106,000 at December 31, 2008, and $27,414,000 at December 31, 2007.

Pyramid participates in the drilling of developmental wells, no single one of which would cause a significant change in the net reserve figure.

In December 2008, the SEC issued its final rule, Modernization of Oil and Gas Reporting, which is effective for reporting 2009 reserve information. In January 2010, the FASB issued its authoritative guidance on extractive activities for oil and gas to align its requirements with the SEC's final rule. We adopted the guidance as of December 31, 2009 in conjunction with our year-end reserve report as a change in accounting principle. Under the SEC's final rule, prior period reserves were not restated.

Internal Controls over Reserve Estimation

Our proved reserve information as of December 31, 2011 included in this Annual Report on Form 10-K was estimated by our independent petroleum consultant, MHA Petroleum Consultants, LLC, in accordance with generally accepted petroleum engineering and evaluation principles and definitions and guidelines established by the SEC. For the company's estimation procedures, credentials and statement of independence, see the MHA Petroleum Consultants, LLC, report filed herein on Exhibit 99.1. The technical persons responsible for preparing the reserves estimates presented herein meet the requirements regarding qualifications, independence, objectivity and confidentiality set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers. MHA Petroleum Consultants, LLC, and their predecessors have been preparing the Company's reserve information for over twenty years and thus, are very familiar with the Company's operations and their oil and gas properties.

John H. Alexander, President and Lee Christianson, CFO, provide company data (such as well ownership interests, oil and gas prices, production volumes and well operating costs) to MHA Petroleum Consultants, LLC, and are the primary Company employees responsible for reviewing MHA Petroleum Consultants, LLC, use of our data and MHA Petroleum Consultants, LLC, estimation of our reserves. Mr. Alexander and an employee who is a petroleum engineer provide MHA Petroleum Consultants, LLC, with technical data (such as well logs, geological information and well histories). Mr. Alexander and Mr. Christianson have been with the Company for over twenty years. Mr. Alexander has over forty years experience in the oil and gas exploration and production industry.

John Alexander and Lee Christianson review the preliminary MHA Petroleum Consultants, LLC, reserve estimates and the financial inputs in the estimates. Mr. Christianson, CFO, calculates the disclosed changes in reserve estimates and the disclosed changes in the Standardized Measure relating to proved oil and gas reserves. Mr. Christianson has over thirty years experience in oil and gas accounting.

Our company codes of business conduct and ethics are general internal controls for preventing and detecting errors or fraud by our employees responsible for the reserve estimation procedures and disclosure in our filings with the SEC.

Pyramid's net oil and gas production after royalty and other working interests for the past five years ending December 31, were as follows:

	2011	2010	2009	2008	2007
Crude oil (Bbls)	55,000	60,000	57,000	65,000	67,000
Natural gas (MCF)	9,000	9,000	5,000	5,000	5,000

Pyramid's average sales prices per barrel or per MCF of crude oil and natural gas, respectively, and production costs per equivalent barrel (gas production is converted to equivalent barrels at the rate of 6 MCF per barrel, representing the estimated relative energy content of gas to oil) for the past five years ending December 31, were as follows:

	2011	2010	2009	2008	2007
Sales price:					
Crude oil	$104.78	$77.10	$57.16	$93.47	$67.83
Natural gas	$3.87	$4.37	$4.02	$7.94	$7.16
Production costs	$33.00	$26.60	$24.20	$27.20	$24.00

The average selling price of the Company’s crude oil at December 31, 2011, was approximately $106.69 per barrel and the average selling price of the Company’s natural gas at December 31, 2011, was approximately $3.28 per MCF.

As of December 31, 2011, Pyramid had the following gross and net position in wells and proved acres:

	WELLS		PROVED ACRES	
	Gross (1)	Net (1)	Gross (2)	Net (2)
Oil	127	126	9,141	1,762
Natural Gas	22	7	12,246	4082
	149	133	21,387	5,844

(1) "Gross wells" represent the total number of wells in which the Company has a working interest. "Net wells" represent the number of gross wells multiplied by the percentage of the working interests therein held by the Company.

(2) "Gross acreage" represents all acres in which the Company has a working interest. "Net acres" represent the aggregate of the working interests of the Company in the gross acres.

The company drilled two wells in 2011, the Pike 1-H well and the Jacoby-Potter Unit #1 well. Both of these wells were drilled jointly with different partners on each well. Both of these wells were drilled in the first quarter of 2011. The Company is the operator of the Pike 1-H well. The Company's share of the costs of drilling the Pike well was $897,000. This well was written down by $673,000 during 2011 because the production from the well was lower than projected. The write-down was based on the Company's share of projected future net cash flows for the well. The Jacoby-Potter well was drilled by the joint venture in Texas. The Company participated as one of the non-operators in the drilling of this well. The Company's share of the costs for drilling this well were $54,000. This well was abandoned as a dry-hole. The Company recorded a valuation allowance of $54,000 during 2011 for this well.

The Company drilled two new wells in 2010, the Anderson No.10 well and the CLI No. 4-H. The Anderson No. 10 well was drilled in the first quarter of 2010 and completed as a producing well. The CLI No. 4-H was drilled in the second quarter of 2010 and was abandoned as a dry-hole. The Company recorded a valuation allowance of $867,468 during the second quarter of 2010 to offset the costs of drilling and abandoning this well. The Company also redrilled two existing wells during the fourth quarter of 2010, the Wilson No.3 and the Alexander/Abadie No. 1. Both of these wells are currently under production. These wells had previously been shut-in for a number of years. At December 31, 2010, the Company recorded a valuation allowance of $237,647 against the costs of redrilling the Alexander/Abadie No. 1 well. The Company also recorded a valuation allowance of $117,412 at December 31, 2010 for one of its Texas joint venture wells.

The Company drilled one well in 2008 on the Santa Fe lease. This well was completed and placed on production during 2008. After this well was placed on production, it was determined that it was not economic to produce and the well is currently shut-in. The Company also participated as a non-operator, along with a group of partners, in the drilling of two natural gas wells in Texas, one each in 2008 and 2009. The gas well that was drilled in 2008 was placed into production. The gas well that was drilled in 2009 was not placed into production until the first quarter of 2010.

The Company drilled two wells in 2007 on the Anderson lease. Both of these wells are currently in production and deemed economic.

"Unproven" oil and gas properties are those on which the presence of commercial quantities of reserves of crude oil or natural gas has not been established.

"Undeveloped" acreage exists on those oil and gas properties where economically recoverable reserves are estimated to exist in proved reservoirs from wells to be drilled in the future.

As of December 31, 2011, Pyramid held positions in unproven acreage in the following locations:

	ACRES	
	Gross	Net
New York		
Mount Morris and Livingston Counties	34,800	9,788
Texas		

McMullen County	5,700	713

(c) Real Property Owned

Pyramid owned the following real property as of December 31, 2011, all located in California.

County of Kern	
Mullaney yard	20 acres
Miller property	112 acres
Ranton property	80 acres
City of Bakersfield	3 lots

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Located on the three lots of real property in the city of Bakersfield is the Company’s executive offices. This property was acquired by the Company in 1986. The office building located on this property is a one story structure with approximately 4,200 square feet and is in good condition.

Item 3 - Legal Proceedings

The Company is subject to potential litigation within the normal course of business. The resolution in any reporting period of such litigation could have a material impact on Pyramid's financial position or results of operations for that period. Pyramid is not party to any proceedings or actions which management believes might have a material effect upon its financial position or results of operations.

Item 4 - Mine Safety Disclosures

Not applicable.

PART II

Item 5 - Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The common stock of Pyramid is traded on the NYSE Amex under the symbol "PDO". The following are high and low sales prices for each quarter of 2011 and 2010, and reflect inter-dealer prices without retail markup, markdown or commission.

	High	Low
Fiscal Quarter Ending 2011		
March 31,	$8.4500	$5.1700
June 30,	7.0300	4.5100
September 30,	5.3400	3.6000
December 31,	4.5300	3.4100

Fiscal Quarter Ending 2010		
March 31,	5.5300	4.0000
June 30,	7.7000	3.7400
September 30,	5.2500	4.3400
December 31,	5.6800	4.2700

At December 31, 2011, the Company had 221 shareholders of record, and an unknown number of additional holders whose stock is held in "street name".

The Company did not repurchase any securities during 2011, or issue any securities during 2011 that were not registered under the Securities Act of 1933.

The Company did not declare or pay any cash dividends on its common stock during the preceding two fiscal years and does not anticipate paying any cash dividends in the foreseeable future.

Item 6 - Selected Financial Data

The following selected financial data is not necessarily indicative of our future financial position or results of future operations, and should be read in conjunction with Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations and the Financial Statements and Notes thereto included in Item 8, Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

	Years Ended December 31, (In thousands except per share data)				
	2011	2010	2009	2008	2007
Statement of Operations Data					
Total Revenue	$5,690	$4,836	$3,312	$6,611	$4,945
Income from Operations	1,161	53	(537)	1,094	1,767
Net Income (Loss)	1,095	246	(189)	1,514	1,495
Net Income (Loss) per Share Basic and Diluted	$0.23	$0.05	$(0.04)	$0.32	$0.32
Weighted Average Number of Basic Shares Outstanding	4,684	4,678	4,678	4,678	4,678
Balance Sheet Data					
Cash and Cash Equivalents	$2,763	$1,536	$1,439	$1,794	$618
Short-term Investments	3,200	3,059	3,344	2,789	1,479
Total Assets	11,882	10,630	10,142	10,277	8,460
Notes Payable	55	40	21	45	71
Stockholders' Equity	9,881	8,742	8,373	8,352	6,604
Total Liabilities and Stockholders' Equity	11,882	10,630	10,142	10,277	8,460
Per Share Data					
Net Book Value per Common Share	$2.11	$1.87	$1.79	$1.79	$1.41
Common Shares Outstanding	4,684	4,678	4,678	4,678	4,678

Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations

Impact of Changing Prices

Average prices increased by approximately $28.74 per equivalent crude oil and gas barrel sold during 2011 as compared with average prices for 2010. In 2011 there were 248 separate crude oil price changes, as compared with 245 price changes in 2010. The difference between the highest ($123.35) and lowest ($86.70) posted prices in 2011 was $36.65 per barrel. By comparison, this same differential in 2010 was $25.25 per barrel.

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Liquidity and Capital Resources

The Company had cash and short-term investments of $5,963,000 at December 31, 2011, for a net increase of $1,369,000, when compared to December 31, 2010. Short-term investments consist of certificates of deposit having original maturities of three months or more. During 2011, operating activities generated cash of $2,497,000. During 2011, cash was consumed by the purchase of short-term investments of $100,000, capital spending of $1,164,000 and principal payments on the Company's long-term debt totaling $42,000. During 2011, cash was provided by proceeds from the sale of fixed assets of $21,500 and proceeds from the issuance of long term debt of $56,000. The components of the changes in cash for 2011 are described in the Statements of Cash Flows included in Item 8 of this Form 10-K. Adequate funds were available to carry out all necessary oil and gas operations and to maintain its equipment. A $500,000 line of credit, unused at December 31, 2011, also provided additional liquidity during 2011.

The Company believes that its existing current assets and the amount of cash it anticipates it will generate from current operations will be sufficient to fund the anticipated liquidity and capital resource needs of the Company for the fiscal year ended December 31, 2012. In addition to its current assets, the Company also has a credit facility for $500,000 available in the event that it needs other resources to fund its liquidity and capital resource needs. Although the Company may increase its capital expenditures during the current fiscal year to enhance its current oil production capacities, it does not anticipate that such expenditures would exceed the amount of liquidity currently available to the Company. The Company's beliefs that its existing assets and the cash expected to be generated from operations will be sufficient during fiscal year 2012 are based on the following:

As of December 31, 2011, the amount of cash, cash equivalents, and short-term investments was equal to $5,963,000 in the aggregate.

As of December 31, 2011, the Company had approximately $7,176,000 in current assets, and $700,000 of current liabilities.

As of December 31, 2011, the Company had long-term debt of $22,000 (net of current maturities).

The Company is not a party to off-balance sheet arrangements and does not engage in trading activities involving non-exchange traded contracts. In addition, the Company has no financial guarantees, debt or lease agreements or other arrangements that could trigger a requirement for an early payment or that could change the value of the Company's assets. Management continues to examine various alternatives for increasing capital resources including, among other things, participation with industry and/or private partners in drilling and exploration prospects and specific rework of existing properties to enhance production and expansion of its sales of crude oil and natural gas in California. If necessary, Pyramid could sell certain nonessential assets to raise capital for the benefit of these programs.

The Company drilled two joint-venture wells in 2011. The Company drilled two new wells and re-drilled two existing wells in 2010. The Company participated as a non-operator in the drilling of a natural gas well in Texas during 2009. The Company drilled two wells in the years ended December 31, 2008 and 2007.

The Company's proved developed producing crude oil reserves increased by approximately 41,600 barrels at December 31, 2011. The increase in crude oil reserves is due primarily to revisions of previous estimates. The increase in reserves due to revisions of estimates is due primarily to higher net average crude prices (after production taxes and operating expenses) for 2011. Certain oil and gas properties recoverable reserves and net revenues increased due to the higher net average prices.

The Company's proved developed producing crude oil reserves increased by approximately 49,500 barrels at December 31, 2010. The increase in crude oil reserves is due primarily to revisions of previous estimates. The increase in reserves due to revisions of estimates is due primarily to higher net average crude prices (after production taxes and operating expenses) for 2010. Certain oil and gas properties recoverable reserves and net revenues increased due to the higher net average prices.

The Company's proved developed producing crude oil reserves decreased by 63,000 barrels at December 31, 2009. The decrease is due primarily to production of approximately 57,000 barrels of crude oil during 2009. The remaining decline of 6,000 barrels in the reserves is due to revisions of previous estimates. The Company did not drill any crude oil wells during 2009.

The Company's proved developed producing natural gas reserves decreased by 56,000 MCF's at December 31, 2009. The decrease is due primarily to revisions of previous estimates. The estimates of gas reserves for the Texas gas prospect decreased by approximately 40,000 MCF's due to unfavorable production results from a gas well that was drilled in 2008 by the Texas joint venture.

The Company's crude oil reserves for the year ended December 31, 2008 decreased due primarily to a decrease in crude oil sales prices. Proved developed producing crude oil reserves decreased by 213,000 barrels at December 31, 2008. The crude oil prices at the end of a given year are one of the most significant factors used to determine the value of crude oil reserves. The average prices at December 31, 2008 declined by approximately $53.00 per barrel compared with the average prices at December 31, 2007. Based on these prices, many of the Company's leases were uneconomic and no reserves were attributed to these leases.

The Company's crude oil reserves for the year ended December 31, 2007 increased due primarily to revision of previous estimates. The drilling of two new wells in 2007 and higher average crude oil prices at December 31, 2007, combined to generate higher year-end reserves of proved developed producing properties. Proved developed producing crude oil reserves increased by 120,600 barrels at December 31, 2007.

The Company's gas reserves increased by approximately 267,000 MCF's for the year ended December 31, 2007. The increase is due to the Company's investment in a joint venture gas prospect in Texas.

Certain properties that the Company owns have become uneconomic and have been shut-down. When these properties are not operated, any reserves that could be assigned to these properties are not included in the year-end engineering report of total Company reserves. Another major factor that directly affects the Company's future reserve base is the price of crude oil at December 31, of any given year. The year-end price of oil and gas has a significant impact on the estimated future net recoverable oil and gas reserves from proved developed properties. At certain depressed price levels, some of the Company's oil and gas properties are not economical to operate and thus its year-end engineering reserve reports do not assign any oil and gas reserves to these properties. Conversely, if year-end prices should increase to a certain level, the reserves on these leases would be economic to produce and would increase the Company's reserves.

Forward-Looking Information

Looking forward into 2012, crude oil prices have increased by approximately $14.60 per barrel as of March 26, 2012, compared to prices at December 31, 2011. There have been 57 separate price changes since December 31, 2011.

During the first quarter of fiscal 2012, Pyramid commenced drilling operations on the Santa Fe #20 well in the Company's Carneros Creek field in Kern County, California. Pyramid expects to complete stimulation activities on the well early in the second quarter of 2012. The well is part of an ongoing drilling program designed to increase crude oil production volumes from the Company's core California properties. Depending on rig availability, Pyramid plans to drill up to two additional wells in Kern County during fiscal 2012.

Management also will continue to evaluate external opportunities to grow the Company, and has maintained a strong balance sheet and working capital position that could help facilitate potential future projects and transactions.

Pyramid's growth during 2012 and beyond will be highly dependant on the level of success the Company has in its operations and capital investments, including the outcome of wells that have not yet been drilled. The Company's capital investment program may be modified during the year due to exploration and development successes or failures, rig availability, market conditions and other variables. The production and sales of oil and gas involves many complex processes that are subject to numerous uncertainties, including reservoir risk, mechanical failures, human error and market conditions.

The Company has positioned itself, over the past several years, to withstand various types of economic uncertainties, with a program of consolidating operations on certain producing properties and concentrating on properties that provide the major revenue sources. The drilling of a new well and several limited work-overs of certain wells, have allowed the Company to maintain its crude oil reserves for the last three years. The Company expects to maintain its reserve base in 2012, by drilling new wells and routine maintenance of its existing wells.

The Company may be subject to future costs necessary for compliance with the new implementation of air and water environmental quality requirements of the various state and federal governmental agencies. The requirements and costs are unknown at this time, but management believes that costs could be significant in some cases. As the scope of the requirements become more clearly defined, management may be better equipped to determine the true costs to the Company.

The Company continues to absorb the costs for various state and local fees and permits under new environmental programs, the sum of which, were not material during 2011. The Company retains outside consultants to assist the Company in maintaining compliance with these regulations. The Company is actively pursuing an ongoing policy of upgrading and restoring older properties to comply with current and proposed environmental regulations. The costs of upgrading and restoring older properties to comply with environmental regulations have not been determined. Management believes that these costs will not have a material adverse effect on its financial position or results of operations.

ANALYSIS OF SIGNIFICANT CHANGES IN RESULTS OF OPERATIONS

Results Of Operations For The Fiscal Year Ended December 31, 2011

Compared To The Fiscal Year Ended December 31, 2010

Revenues

Oil and Gas Sales

Revenues increased by $1,173,226 due primarily to higher average prices offset by lower crude oil production for 2011. Average prices of the Company's oil and gas sales increased by $28.74 per equivalent barrel when compared to the same period for 2010. Crude oil production/sales decreased by approximately 5,000 barrels for 2011.

Operating Expenses

Operating expenses increased by $212,677 for 2011 when compared to the same period for 2010. During 2011, the cost to produce an equivalent barrel of crude oil was $32.96 per barrel, an increase of $6.41 per barrel when compared with production costs for the same period of 2010. The increase in lease operating expenses is caused by many factors. These include higher costs for labor, contract operations, production equipment repair and maintenance, equipment fuel, chemicals, equipment rental and outside services. This was offset by lower costs for parts and supplies and waste water disposal.

Labor costs increased by $62,483 due primarily to a change in capitalized labor costs. Company labor costs are capitalized for labor activities that occur during the drilling of a new well or the redrilling of an existing well. During 2011, the Company drilled one new well and in 2010 drilled one new well and redrilled two wells. During 2010, the Company capitalized approximately $72,000 of labor costs for the drilling of these wells. In 2011, the Company capitalized approximately $14,500 of labor costs for the drilling of the one well, for a change of $57,500. Labor costs also increased due to more overtime hours worked during 2011 when compared with 2010.

Contract operations increased by $44,148 due primarily to higher operating costs on the Wyoming joint venture operations due to workovers on certain wells. Equipment repair and maintenance costs increased by $26,746 due primarily to higher maintenance levels on the Company’s production equipment, pickups and trucks. Equipment fuel costs increased by $25,391 due primarily to an increase in average fuel costs for gasoline and diesel used in the Company’s vehicles and production equipment. Chemical costs increased by $24,272 due to higher volumes and types of chemicals used on a number of the Company’s oil and gas properties.

Equipment rental costs increased by $19,932 due primarily to activities related to the Pike lease. The Company leased a surface pumping unit and a crude oil storage tank for the new 1-H well that was drilled in the first quarter of 2011. Outside services increased by $16,908 due primarily to charges for the Mabry, Miller and Pike leases. During 2011, the Company employed third-party contractor to perform a gyro survey and another contractor to perform down-hole cement work on the Mabry #1 well. During 2011, the Company engaged a third-party contractor to clear the surface area of the Miller fee property.

Parts and supplies decreased by $28,420 due to lower maintenance activities during 2011. Waste water disposal costs decreased by $27,807 during 2011 due to lower costs on the Delaney Tunnell lease.

General and Administrative Expenses

General and administrative expenses increased by $4,881 during 2011 when compared with the same period for 2010. Accounting services increased by $47,059 due to fees paid of $21,713 to a third-party individual to assist with the training and implementation of a new oil and gas accounting software that was effective January 1, 2011. Audit fees were higher by $24,181 and tax consulting and tax preparation services were higher by $5,531. Directors and officers' liability insurance increased by $25,313. This insurance coverage was not effective until October 1, 2010. Legal fees increased by $21,717 due primarily to the filing of a Registration Statement on Form S-8 that was filed in the third quarter of 2011. These were offset by lower costs for consulting services and other office expenses. Consulting services declined by $67,036 due to lower fees for consulting geologists. In 2010, the Company retained a geologist to review its oil and gas properties for future well locations and this project was completed in 2010.

Stock Based Compensation

Effective June 2, 2011, the Company's board of directors approved the issuance of options to purchase 5,000 shares of the Company's common stock to the Company's two outside directors. These options vest immediately and must be exercised within ninety days after the director leaves office. The Company recorded $43,743 in stock based compensation during the third quarter of 2011, based on a valuation performed using a Black-Scholes option-pricing model.

On September 15, 2010, the Company and John Alexander entered into a Severance Award Agreement pursuant to which the Company awarded Mr. Alexander a supplemental payment in connection with his future severance of employment with the Company and recorded $113,500 in stock based compensation.

Provision for Depletion, Depreciation and Amortization

The provision for depletion, depreciation and amortization increased by $32,137 for the year ended December 31, 2011, when compared with the same period for 2010. The increase is due primarily to an increase in depletion of the Company's oil and gas properties. The increase in depletion is due primarily to an increase in the depletion rate per barrel on the Santa Fe and the Anderson oil producing properties for 2011. The depletion rate for these properties increased for 2011 due to a decrease in oil and gas reserves at December 31, 2010. This was offset by a decline in the amortization of Texas leaseholds.

Valuation Allowances

During the third quarter of 2011, the Company recorded a valuation allowance of $673,000 against the costs of drilling the Pike 1-H well. The Pike 1-H well was drilled in the first quarter of 2011 and has not responded favorably to efforts by the Company to stimulate production from this well. The well is currently producing approximately 5 barrels per day. The Company's share of the production from this well is approximately 3.4 barrels per day. On March 21, 2011, the Company participated in the drilling of a joint venture well in Menard County, Texas. Log analysis of this well indicated that the well would not be commercially viable, and was plugged and abandoned. The Company owns a 30% interest in the joint venture. The Company recorded a valuation allowance of $54,384 against the costs incurred during the six months ended June 30, 2011 for the drilling of this well.

ANALYSIS OF SIGNIFICANT CHANGES IN RESULTS OF OPERATIONS

Results Of Operations For The Fiscal Year Ended December 31, 2010

Compared To The Fiscal Year Ended December 31, 2009

Revenues

Oil and Gas Sales

The increase in revenues of $1,203,316 is due primarily to higher average prices combined with higher crude oil production for 2010. The average price of the Company's oil and gas for 2010 increased by $19.24 per equivalent barrel when compared to the same period for 2009. Crude oil production/sales increased by approximately 1,000 barrels for 2010.

Gain on Sale of Fixed Assets

On July 28, 2010, the Company entered into a Purchase and Sale Agreement for the sale of a portion of its Texas joint venture leaseholds. Pursuant to the agreement, the Company agreed to sell to the buyers 5% of the working interest of the Company's Texas joint venture, subject to certain prior agreements and encumbrances. The purchase price for the assigned interest is $320,566. After the sale, the Company continues to own a 7.5% working interest in the assets. The Company recognized a gain on the sale of the Texas leasehold interests in the amount of $320,566. The leasehold interests had been previously fully amortized.

Operating Expenses

Operating expenses increased by $165,171 for 2010 when compared to the same period for 2009. During 2010, the cost to produce an equivalent barrel of crude oil was $26.56 per barrel, an increase of $2.35 per barrel when compared with production costs for the same period of 2009. The increase in lease operating expenses is caused by many factors. These include higher costs for parts and supplies, contract operations, waste water disposal, equipment rental, chemicals, equipment fuel and production equipment repair and maintenance.

Parts and supplies increased by $73,146 due to an increase in lease and well maintenance activities during 2010. Contract operations increased by $31,743 due primarily to increased activity on the Texas gas prospect. Waste water disposal increased by $26,770 due to higher costs at the Company's Delaney Tunnell lease. Equipment rental increased by $25,063 due primarily to maintenance activities on the Company's Mullaney lease and the rental of a crude oil storage tank for a new well that was drilled on the Anderson lease and the re-drill of the Wilson No. 3 well. The cost of chemicals increased by $21,896 due to increased usage of chemicals. Equipment fuel increased by $14,452 due to an increase in lease and well maintenance activities and higher per unit costs of fuel. Production equipment repair and maintenance increased by $14,305 due to an increase in maintenance activities.

General and Administrative Expenses

General and administrative expenses decreased by $49,779 for 2010 when compared with the same period of 2009. Accounting services decreased by $77,276 due primarily to lower audit fees. Officer’s salaries decreased by $25,000. During June of 2009, the Board of Directors approved the payment of a bonus of $25,000 to Mr. Alexander, President. No bonuses were paid during 2010. These were offset by higher costs for administrative salaries, consulting services, directors and officer’s liability insurance and computer supplies and services.

Administrative salaries increased by $24,064 due to the hiring of a part-time employee effective August 1, 2009. Consulting services increased by $13,886 due to fees paid to a third-party geologist that is reviewing the Company's oil and gas properties for potential well drilling locations. Director’s and officer’s liability insurance premiums increased by $7,838. Computer supplies and services increased by $6,337.

Provision for Depletion, Depreciation and Amortization

The provision for depletion, depreciation and amortization increased by $63,356 for 2010 when compared with the same period for 2009. The increase is due primarily to an increase in depletion of the Company's oil and gas properties. The per barrel depletion rates for 2010 are higher than the comparable rates for 2009. During the fourth quarter of 2010, the Company recorded additional depletion expense of $27,010 due primarily to a decline in reserves on two of the Company's oil and gas properties.

Valuation Allowances

During the second quarter of 2010, the Company commenced the drilling of a horizontal well on one of its Mountain View properties in Kern County, California. The well was drilled to its objective but did not encounter adequate hydrocarbons to warrant completion of the well. The Company recorded a valuation allowance of $867,468 for the costs that had been incurred for the drilling of this well. During the fourth quarter of 2010, the Company recorded a valuation allowance of $355,059 against two oil and gas properties. On one of the properties, a well was redrilled in the fourth quarter of 2010 and the projected future reserves were not sufficient to support the costs incurred in the redrilling of this well. The Company also recorded a valuation allowance for one of its Texas gas prospect wells.

CRITICAL ACCOUNTING POLICIES

Costs Incurred in Oil and Gas Producing Activities

The Company has adopted the "successful efforts" method of accounting for its oil and gas exploration and development activities, as set forth in FASB ASC Topic 932.

The Company initially capitalizes expenditures for oil and gas property acquisitions until they are either determined to be successful (capable of commercial production) or unsuccessful. The carrying value of all undeveloped oil and gas properties is evaluated periodically and reduced if such carrying value appears to have been impaired. Leasehold costs relating to successful oil and gas properties remain capitalized while leasehold costs which have been proven unsuccessful are charged to operations in the period the leasehold costs are proven unsuccessful. Costs of carrying and retaining unproved properties are expensed as incurred.

The costs of drilling and equipping development wells are capitalized, whether the wells are successful or unsuccessful. The costs of drilling and equipping exploratory wells are capitalized until they are determined to be either successful or unsuccessful. If the wells are successful, the costs of the wells remain capitalized. If, however, the wells are unsuccessful, the capitalized costs of drilling the wells, net of any salvage value, are charged to operations in the period the wells are determined to be unsuccessful.

The Company adopted FASB ASC Topic No. 360-10-15, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" (the Statement). The Statement specifies when an impairment loss should be recognized and how impairment losses should be measured for long-lived assets to be held and used and for long-lived assets to be disposed of. In accordance with the Statement, the costs of proved oil and gas properties and equipment are periodically assessed on a lease by lease basis to determine if such costs exceed undiscounted future cash flows, and if conditions warrant an impairment reserve will be provided based on the estimated future discounted cash flows. The Company recorded an impairment reserve of $751,263, $1,222,527 and $358,757 at December 31, 2011, 2010 and 2009, respectively (see Note 6 of Notes to Financial Statements included in Item 8 of this Form 10-K). The accumulated impairment reserve was $4,743,220 and $3,991,960 at December 31, 2011 and 2010, respectively.

Depletion, Depreciation, and Amortization

Depletion of leasehold costs of producing oil and gas properties is provided on the unit-of-production method, by individual property unit, based on estimated recoverable proved reserves. Depreciation and amortization of the costs of producing wells and related equipment are provided on the unit-of-production method, by individual property unit, based on estimated recoverable proved developed reserves. Amortization of the costs of undeveloped oil and gas properties is based on the Company's experience, giving consideration to the holding periods of leaseholds. The average depletion per equivalent barrel of crude oil produced for 2011, 2010 and 2009 were $24.27, $28.89 and $14.97, respectively.

Drilling and operating equipment, buildings, automotive, office and other property and equipment and leasehold improvements are stated at cost. Depreciation and amortization are computed using the straight-line method over the shorter of the estimated useful lives or the applicable lease terms (range of 3 to 19 years). Any permanent impairment of the carrying value of property and equipment is provided for at the time such impairments become known.

Recent Accounting Pronouncements

In May 2011, the FASB issued ASU 2011-04, "*Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*" ("ASU 2011-04") which amends ASC Topic 820, Fair Value Measurement. ASU 2011-04 changes the wording used to describe the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. The update clarifies the application of existing fair value measurement requirements. The update also requires reporting entities to disclose additional information regarding fair value measurements categorized within Level 3 of the fair value hierarchy. ASU 2011-04 is effective during interim and annual period beginning after December 15, 2011. Early adoption is not permitted. The adoption of this guidance will not have any impact on our results of operations and financial position.

In June 2011, the FASB issued ASU 2011-05, "*Presentation of Comprehensive Income*" ("ASU 2011-05") which amends ASC Topic 220, Comprehensive Income. ASU 2011-05 gives an entity the option to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The updated guidance in ASU 2011-05 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of this guidance will not have any impact on our results of operations or financial position.

In September 2011, the FASB issued ASU 2011-08, "*Intangibles – Goodwill and Other (Topic 350) — Testing Goodwill for Impairment*". This amendment allows an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative impairment test. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011 and early adoption is permitted. We don't expect to have an impact on our financial position, results of operations or cash flows.

In December 2011, the FASB issued ASU 2011-12, "*Comprehensive Income (Topic 220)*". The amendments in this Update supersede certain pending paragraphs in ASU No. 2011-05, *Comprehensive Income (Topic 220):* Presentation of Comprehensive Income, to effectively defer only those changes in Update 2011-05 that relate to the presentation of reclassification adjustments out of accumulated other comprehensive income. The amendments will be temporary to allow the Board time to redeliberate the presentation requirements for reclassifications out of accumulated other comprehensive income for annual and interim financial statements for public, private, and non-profit entities. The adoption of this guidance will not have any impact on our results of operations and financial position.

Item 7A - Quantitative and Qualitative Disclosures About Market Risk

Not Applicable

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Item 8 - Financial Statements and Supplementary Data

PYRAMID OIL COMPANY

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DECEMBER 31, 2011

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders

Pyramid Oil Company

Bakersfield, California

We have audited the balance sheets of Pyramid Oil Company (“the Company”) as of December 31, 2011 and 2010, and the related statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2011. 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 provided a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pyramid Oil Company as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with U. S. generally accepted accounting principles.

SINGERLEWAK LLP

Los Angeles, California

March 30, 2012

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PYRAMID OIL COMPANY

BALANCE SHEETS

ASSETS

	December 31, 2011	2010
CURRENT ASSETS:		
Cash and cash equivalents	$2,762,676	$1,535,532
Short-term investments	3,200,364	3,058,528
Trade accounts receivable (net of reserve for doubtful accounts of $4,000 in 2011 and 2010)	549,476	508,457
Joint interest billing receivable	6,019	—
Income taxes receivable	21,169	—
Crude oil inventory	118,156	86,361
Prepaid expenses and other assets	255,846	230,876
Deferred Income taxes	262,500	245,100
TOTAL CURRENT ASSETS	7,176,206	5,664,854
PROPERTY AND EQUIPMENT, at cost:		
Oil and gas properties and equipment (successful efforts method)	19,124,558	18,101,529
Capitalized asset retirement costs	401,242	389,463
Drilling and operating equipment	1,956,371	1,946,805
Land, buildings and improvements	1,073,918	1,066,571
Automotive, office and other property and equipment	1,192,118	1,182,613
	23,748,207	22,686,981
Less - accumulated depletion, depreciation, amortization and valuation allowances	(20,091,655)	(18,687,908)
TOTAL PROPERTY AND EQUIPMENT	3,656,552	3,999,073
OTHER ASSETS		
Deferred income taxes	781,600	708,500
Deposits	250,000	250,000
Other assets	17,380	7,380
TOTAL OTHER ASSETS	1,048,980	965,880
TOTAL ASSETS	$11,881,738	$10,629,807

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

PYRAMID OIL COMPANY

BALANCE SHEETS

LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31, 2011	2010
CURRENT LIABILITIES:		
Accounts payable	$88,494	$73,374
Accrued professional fees	142,990	122,506
Accrued taxes, other than income taxes	77,471	63,361
Accrued payroll and related costs	51,252	60,365
Accrued royalties payable	224,810	193,052
Accrued insurance	82,428	86,888
Accrued income taxes	—	12,800
Current maturities of long-term debt	32,285	13,473
TOTAL CURRENT LIABILITIES	699,730	625,819
LONG-TERM DEBT, net of current maturities	22,330	26,946
LIABILITY FOR ASSET RETIREMENT OBLIGATIONS	1,278,889	1,235,193
TOTAL LIABILITES	2,000,949	1,887,958
COMMITMENTS AND CONTINGENCIES (Note 7)		
SHAREHOLDERS' EQUITY:		
Preferred stock, no par value		
Authorized - 10,000,000 shares		
Issued and outstanding – none	—	—
Common stock, no par value (Note 5, 11, 12 and 13)		
Authorized - 50,000,000 shares		
Issued and outstanding - 4,683,853 shares		
and 4,677,728 shares at December 31, 2011		
and December 31, 2010, respectively	1,682,971	1,639,228
Retained earnings	8,197,818	7,102,621
TOTAL SHAREHOLDERS’ EQUITY	9,880,789	8,741,849
TOTAL LIABILITES AND SHAREHOLDERS’ EQUITY	$11,881,738	$10,629,807

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

PYRAMID OIL COMPANY

STATEMENTS OF OPERATIONS

	Year ended December 31,		
	2011	2010	2009
REVENUES:			
Oil and gas sales	$5,688,437	$4,515,211	$3,311,895
Gain on sales of property and equipment	1,512	320,556	—
	5,689,949	4,835,767	3,311,895
COSTS AND EXPENSES:			
Operating expenses	1,789,569	1,576,892	1,411,721
General and administrative	879,779	874,899	924,676
Stock based compensation	43,743	123,283	209,935
Taxes, other than income and payroll taxes	137,163	128,351	147,724
Provision for depletion, depreciation, and amortization	735,231	703,094	639,738
Valuation allowances	751,263	1,222,527	358,757
Accretion expense	45,314	34,955	41,618
Other costs and expenses	147,330	118,043	115,164
	4,529,392	4,782,044	3,849,333
OPERATING INCOME (LOSS)	1,160,557	53,723	(537,438)
OTHER INCOME (EXPENSE):			
Interest income	49,863	43,601	75,427
Other income (expense)	500	(14,061)	14,400
Interest expense	(3,020)	(300)	(1,313)
	47,343	29,240	88,514
INCOME (LOSS) BEFORE			
INCOME TAX PROVISION (BENEFIT)	1,207,900	82,963	(448,924)
Income tax provision (benefit)			
Current	203,203	109,100	(195,282)
Deferred	(90,500)	(272,000)	(64,355)
	112,703	(162,900)	(259,637)
NET INCOME (LOSS)	$1,095,197	$245,863	$(189,287)
BASIC INCOME (LOSS) PER COMMON SHARE	$0.23	$0.05	$(0.04)
DILUTED INCOME (LOSS) PER COMMON SHARE	$0.23	$0.05	$(0.04)
Weighted average number of common shares outstanding	4,683,853	4,677,728	4,677,728
Diluted average number of common shares outstanding	4,687,580	4,686,003	4,677,728

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

PYRAMID OIL COMPANY

STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Shares Issued and Outstanding	Common Stock	Retained Earnings	Total Shareholders' Equity
Balances, December 31, 2008	4,677,728	$1,306,010	$7,046,045	$8,352,055
Severance award agreement		209,935		209,935
Net (loss)			(189,287)	(189,287)
Balances, December 31, 2009	4,677,728	1,515,945	6,856,758	8,372,703
Severance award agreement		113,500		113,500
Stock based compensation		9,783		9,783
Net income			245,863	245,863
Balances, December 31, 2010	4,677,728	1,639,228	7,102,621	8,741,849
Stock based compensation		43,743		43,743
Shares issued on exercise of options	6,125			
Net income			1,095,197	1,095,197
Balances, December 31, 2011	4,683,853	$1,682,971	$8,197,818	$9,880,789

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

PYRAMID OIL COMPANY

STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2011	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$1,095,197	$245,863	$(189,287)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Provision for depletion, depreciation, and amortization	735,231	703,094	639,738
Valuation allowances	751,263	1,222,527	358,757
Accretion expense	45,314	34,955	41,618
Gain on sale of property and equipment	(1,512)	(320,556)	—
Loss on retirement of fixed assets	—	18,228	—
Stock based compensation	43,743	123,283	209,935
Deferred income taxes	(90,500)	(272,000)	(64,355)
Asset retirement obligations	(1,618)	—	—
Changes in operating assets and liabilities:			
(Increase) decrease in trade accounts and interest receivable	(68,207)	(8,222)	(286,648)
(Increase) decrease in crude oil inventory	(31,795)	(23,601)	19,265
(Increase) decrease in prepaid expenses	(24,970)	(62,181)	17,458
(Increase) decrease in other assets	(10,000)	9,633	—
Increase (decrease) in accounts payable and accrued liabilities	55,099	56,999	(173,790)
Net cash provided by operating activities	2,497,245	1,728,022	572,691

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

PYRAMID OIL COMPANY

STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2011	2010	2009
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	$(1,163,961)	$(2,258,033)	$(347,866)
Payments to acquire short-term investments	(100,000)	(550,000)	(500,000)
Decrease (increase) in short-term investments	(41,836)	155,533	(54,962)
Proceeds from redemption of short-term investments	—	680,000	—
Proceeds from sale of property and equipment	21,500	320,556	—
Net cash used in investing activities	(1,284,297)	(1,651,994)	(902,828)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Loans to employees	(1,300)	(3,400)	(3,800)
Proceeds from issuance of long-term debt	55,979	40,419	—
Principal payments from loans to employees	1,300	4,300	3,100
Principal payments on long-term debt	(41,783)	(20,640)	(23,901)
Net cash provided by (used in) financing activities	14,196	20,679	(24,601)
Net increase (decrease) in cash and cash equivalents	1,227,144	96,707	(354,738)
Cash and cash equivalents at beginning of year	1,535,532	1,438,825	1,793,563
Cash and cash equivalents at end of year	$2,762,676	$1,535,532	$1,438,825
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid during the year for interest	$3,020	$300	$1,313
Cash paid during the year for income taxes	$216,874	$1,000	$168,814

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

PYRAMID OIL COMPANY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

1. Significant Accounting Policies

Nature of Operations

Pyramid Oil Company (the Company), a California Corporation, has been in the oil and gas business continuously for 102 years since it was incorporated on October 9, 1909. The Company is in the business of exploration, development and production of crude oil and natural gas. The Company operated and has interests in 27 oil and gas leases in Kern and Santa Barbara Counties in the State of California. The Company also owns oil and gas interests in Wyoming, Texas and New York that it does not operate. The Company grants short-term credit to its customers and generally receives payment within 30 days.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents principally consist of demand deposits and certificates of deposits having original maturities of three months or less. At December 31, 2011, the Company had approximately $1,200,000 of cash and cash equivalents that were not fully insured by the FDIC.

Investments

Investments consist of certificates of deposit having original maturities of three months or more and are valued at cost.

Inventory

Inventories of crude oil and condensate are valued at the lower of cost, predominately on a first-in, first-out (FIFO) basis, or market, and include certain costs directly related to the production process.

Deposits

In April 2004, the Company replaced its state of California oil and gas blanket performance surety bond, with a cash bond in the form of an irrevocable certificate of deposit in the amount of $250,000.

PYRAMID OIL COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2011

Costs Incurred in Oil and Gas Producing Activities

The Company has adopted the "successful efforts" method of accounting for its oil and gas exploration and development activities, as set forth in FASB ASC Topic No. 932.

The Company initially capitalizes expenditures for oil and gas property acquisitions until they are either determined to be successful (capable of commercial production) or unsuccessful. The carrying value of all undeveloped oil and gas properties is evaluated periodically and reduced if such

carrying value appears to have been impaired. Leasehold costs relating to successful oil and gas properties remain capitalized while leasehold costs which have been proven unsuccessful are charged to operations in the period the leasehold costs are proven unsuccessful. Costs of carrying and retaining unproved properties are expensed as incurred.

The costs of drilling and equipping development wells are capitalized, whether the wells are successful or unsuccessful. The costs of drilling and equipping exploratory wells are capitalized until they are determined to be either successful or unsuccessful. If the wells are successful, the costs of the wells remain capitalized. If, however, the wells are unsuccessful, the capitalized costs of drilling the wells, net of any salvage value, are charged to operations in the period the wells are determined to be unsuccessful.

The Company adopted FASB ASC Topic No. 360-10-15, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" (the Statement). The Statement specifies when an impairment loss should be recognized and how impairment losses should be measured for long-lived assets to be held and used and for long-lived assets to be disposed of. In accordance with the Statement, the costs of proved oil and gas properties and equipment are periodically assessed on a lease by lease basis to determine if such costs exceed undiscounted future cash flows, and if conditions warrant an impairment reserve will be provided based on the estimated future discounted cash flows. The Company recorded an impairment reserve of $751,263, $1,222,527 and $358,757 at December 31, 2011, 2010 and 2009, respectively (see Note 6). The accumulated impairment reserve was $4,743,220 and $3,991,960 at December 31, 2011 and 2010, respectively.

Joint Venture Investments

The Company participates in two joint ventures as a non-operator. The properties are located in New York and Texas, both are primarily gas properties. The Company has a minority interest in both joint ventures. The Company's interest in the New York gas wells range from 19 to 38 percent. The Company's interest in the Texas joint venture wells range from 3.125 to 6.25 percent. The Company records its share of revenues, expenses and capital costs as provided to the Company by the joint-venture operators. The accounting policies for the joint venture properties are consistent with the accounting policies that the Company uses for its wholly-owned properties.

PYRAMID OIL COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2011

Depletion, Depreciation, and Amortization

Depletion of leasehold costs of producing oil and gas properties is provided on the unit-of-production method, by individual property unit, based on estimated recoverable proved reserves. Depreciation and amortization of the costs of producing wells and related equipment are provided on the unit-of-production method, by individual property unit, based on estimated recoverable proved developed reserves. Amortization of the costs of undeveloped oil and gas properties is based on the Company's experience, giving consideration to the holding periods of leaseholds. The average depletion per equivalent barrel of crude oil produced for 2011, 2010 and 2009 were $24.27, $29.89 and $14.97, respectively.

Drilling and operating equipment, buildings, automotive, office and other property and equipment and leasehold improvements are stated at cost. Depreciation and amortization are computed using the straight-line method over the shorter of the estimated useful lives or the applicable lease terms (range of 3 to 19 years). Any permanent impairment of the carrying value of property and equipment is provided for at the time such impairments become known.

Stock-based Compensation

We account for share-based awards in accordance with the provisions of FASB ASC Topic No. 718, Compensation - Stock Compensation (ASC 718). Accordingly, we measure share-based compensation expense at the grant date, based on the fair value of the award, and recognize the expense over the employee's requisite service period using the straight-line method. The measurement of share-based compensation expense is based on several criteria including but not limited to the valuation model used and associated input factors, such as expected term of the award, stock price volatility, risk free interest rate and award forfeiture rate. These inputs are subjective and are determined using management's judgment. If differences arise between the assumptions used in determining share-based compensation expense and the actual factors, which become known over time, we may change the input factors used in determining future share-based compensation expense. Any such changes could materially impact our results of operations in the period in which the changes are made and in periods thereafter. We elected to adopt the alternative transition method for calculating the tax effects of share-based compensation and continue to use the simplified method in developing the expected term used for our valuation of share-based compensation in accordance with ASC 718.

Maintenance and Repairs

Maintenance, repairs and replacement expenditures are charged to operations as incurred, while major renewals and betterments are capitalized and depreciated over their useful lives.

PYRAMID OIL COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2011

Retirement or Disposal of Properties and Equipment

Costs and accumulated depletion, depreciation, amortization and valuation allowances of property and equipment retired, abandoned, or otherwise disposed of are removed from the accounts upon disposal, and any resulting gain or loss is included in operations in the year of disposition. However, upon disposal of a portion of an oil and gas property, any proceeds received are treated as a recovery of cost and no gain or loss is recognized in the year of disposition.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

The Company adopted the provisions of FASB ASC Topic No. 740-10-25," Accounting for Uncertainty in Income Taxes", on January 1, 2007 (ASC 740-10-25). As a result of the implementation of ASC 740-10-25, the company made a comprehensive review of its portfolio of tax positions in accordance with recognition standards established by ASC 740-10-25. As a result of the implementation of ASC 740-10-25, the Company recognized no material adjustments to liabilities or stockholders equity.

The Company files income tax returns in the U.S. Federal jurisdiction, and California, Texas and New York states. With few exceptions, the Company is no longer subject to U.S. Federal tax examination for the years prior to 2008. State jurisdictions that remain subject to examination range from 2007 to 2010. The Company does not believe there will be any material changes in its unrecognized tax positions over the next 12 months.

The Company's policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of the date of adoption of ASC 740-10-25, the Company did not have any accrued interest or penalties associated with any unrecognized tax benefits, nor was any interest expense recognized during the year ended December 31, 2011.

Concentration of Credit Risk

The Company sells its crude oil to ConocoPhillips and Kern Oil & Refining, accounting for approximately 50%, and 47%, respectively, of the Company's crude oil and gas sales in 2011. Crude oil sales were approximately 50% and 46% attributable to ConocoPhillips and Kern Oil and Refining, respectively at December 31, 2010. While revenue from these customers is significant, and the loss of any one could have an adverse effect on the Company, it is management's opinion that the oil and gas it produces could be sold to other crude oil purchasers, refineries or pipeline companies. Trade receivables were approximately 54% and 45% attributable to ConocoPhillips and Kern Oil and Refining, respectively at December 31, 2011. Trade receivables were approximately 48% and 52% attributable to ConocoPhillips and Kern Oil and Refining, respectively at December 31, 2010.

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PYRAMID OIL COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2011

Recent Accounting Pronouncements

In May 2011, the FASB issued ASU 2011-04, "*Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*" ("ASU 2011-04") which amends ASC Topic 820, Fair Value Measurement. ASU 2011-04 changes the wording used to describe the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. The update clarifies the application of existing fair value measurement requirements. The update also requires reporting entities to disclose additional information regarding fair value measurements categorized within Level 3 of the fair value hierarchy. ASU 2011-04 is effective during interim and annual period beginning after December 15, 2011. Early adoption is not permitted. The adoption of this guidance will not have any impact on our results of operations and financial position.

In June 2011, the FASB issued ASU 2011-05, "*Presentation of Comprehensive Income*" ("ASU 2011-05") which amends ASC Topic 220, Comprehensive Income. ASU 2011-05 gives an entity the option to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The updated guidance in ASU 2011-05 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of this guidance will not have any impact on our results of operations or financial position.

In September 2011, the FASB issued ASU 2011-08, "*Intangibles – Goodwill and Other (Topic 350) — Testing Goodwill for Impairment"*. This amendment allows an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative impairment test. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011 and early adoption is permitted. We don't expect to have an impact on our financial position, results of operations or cash flows.

In December 2011, the FASB issued ASU 2011-12, "*Comprehensive Income (Topic 220)"*. The amendments in this Update supersede certain pending paragraphs in ASU No. 2011-05, *Comprehensive Income (Topic 220):* Presentation of Comprehensive Income, to effectively defer only those changes in Update 2011-05 that relate to the presentation of reclassification adjustments out of accumulated other comprehensive income. The amendments will be temporary to allow the Board time to redeliberate the presentation requirements for reclassifications out of accumulated other comprehensive income for annual and interim financial statements for public, private, and non-profit entities. The adoption of this guidance will not have any impact on our results of operations and financial position.

PYRAMID OIL COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2011

Reclassifications

Certain reclassifications have been made to the prior financial statements to conform to the 2011 presentation.

Revenue Recognition

The Company recognizes sales when: (1) persuasive evidence of an arrangement exists; (2) product delivery has occurred; (3) pricing is fixed or determinable; and (4) collection is reasonably assured. To satisfy these criteria, the Company: (1) has crude oil sales contracts with its crude oil purchasers; (2) records revenue based upon receipt of evidence of shipment of crude oil and when risk of loss and title transfer has occurred; (3) the Company's crude oil contracts specify the pricing terms which are fixed and determinable; (4) validates creditworthiness through past payment history and other financial date. Sales rebates, discounts and customer returns are not applicable to the oil and gas industry.

Trade Accounts Receivable and Allowance for Doubtful Accounts

Our accounts receivable are unsecured and are at risk to the extent such amounts become uncollectible. The Company has had the same two major customers for approximately 20 years with no history of non-payment or default. Pursuant to the terms of the crude oil sales contracts, the Company receives payment around the 20th of the month following crude oil shipments. The Company has established a nominal allowance for doubtful accounts due to the Company's evaluation of its customers past payment history, creditworthiness and other financial data.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization. Depreciation is recorded on the straight-line basis over the estimated useful lives of the assets, which range from 3 to 19 years. Maintenance and repairs are charged to operations as incurred, while significant improvements are capitalized. Upon retirement or disposition of property, the asset and related accumulated depreciation or amortization is removed from the accounts and any resulting gain or loss is charged to operations. The carrying value of property and equipment is assessed periodically and/or when factors indicating impairment are present. We recognize impairment losses when the expected cash flows are less than the asset's carrying value, in which case the asset is written down to its estimated fair value.

2. Fair Value Measurements

Effective January 1, 2008, the Company adopted the authoritative guidance on fair value measurements. Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. As a basis for considering such assumptions, the guidance establishes a three tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

PYRAMID OIL COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2011

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Include other inputs that are directly or indirectly observable in the marketplace.

Level 3 - Unobservable inputs which are supported by little or no market activity. Included in this category is the Company's valuation of its asset retirement obligation liability. The obligation increased $43,696 during the year ended December 31, 2011, as a result of normal accretion, the drilling of a new well and the retirement of one well.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

In accordance with this guidance, we measure our cash equivalents and short-term investments at fair value. Our cash equivalents and short term investments are classified within Level 1. Cash equivalents and short term investments are valued primarily using quoted market prices utilizing market observable inputs. At December 31, 2011, cash equivalents and short term investments consisted of certificates of deposit measured at fair value on a recurring basis. Fair values of our certificates of deposit were $3,605,658, of which $405,294 was included in cash equivalents and $3,200,364 were included in short-term investments at December 31, 2011. Fair values of our certificates of deposit were $3,463,138, of which $404,610 was included in cash equivalents and $3,058,528 were included in short-term investments at December 31, 2010. The carrying value of accounts receivable, accounts payable and accrued expenses approximates fair value because of the short maturity of those instruments.

<u>Fair Value on a Nonrecurring Basis</u>

Certain assets and liabilities are measured at fair value on a nonrecurring basis in accordance with GAAP (for example, when there is evidence of impairment). The amounts below represent only balances measured at fair value during the period presented and still held as of the reporting date. These balances appear as a component of the "Oil and Gas Properties and Equipment" and "Accumulated Depletion, Depreciation, Amortization and Valuation Allowances" captions on the balance sheet.

	At and for the period ended December 31, 2011:				
					Total
	Total	Level 1	Level 2	Level 3	Valuation
Oil and gas properties and equipment	$ 975,000	$ —	$ —	$ 224,000	$ (751,000)

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PYRAMID OIL COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2011

Oil and gas properties and equipment held and used with a carrying amount of $975,000 were written down to their fair value of $224,000, resulting in a valuation charge of $751,000, which was included in earnings for the period. The fair value of these long-lived assets held and used was calculated based upon discounted cash flow projections. These projections incorporate management's assumptions about future cash flows based upon past experience and future expectations. The expected cash flows are then discounted using a discount rate that the Company believes is commensurate with the risks involved.

3. Long-Term Debt and Line of Credit

Long-term debt at December 31, 2011 and 2010, is summarized as follows:

	December 31,	
	2011	2010
Note payable to Ally, secured by equipment purchased with the proceeds of the loan, payable in monthly installments of $1,627 principal and interest, interest at 2.9%, final payment in 2011.	$33,283	$—
Note payable to ALLY, secured by equipment purchased with the proceeds of the loan, payable in monthly installments of $1,123 principal and interest, interest at 0.0%, final payment in 2014.	21,332	40,419
	54,615	40,419
Less - current maturities	32,285	13,473
	$22,330	$26,946

At December 31, 2011, approximately $108,000 of gross property and equipment was pledged as collateral to secure approximately $57,000 principal amount of long-term debt.

At December 31, 2011, the Company had an unsecured line of credit with a bank, under which the Company may borrow up to $500,000 through May 31, 2012. Interest on any borrowing is accrued at the bank's index rate plus 0.50 percentage points. The bank's index rate was 4.75% at December 31, 2011.

Maturities of long-term debt are as follows:

Year ending December 31,	2012	$32,285
	2013	22,330
		$54,615

PYRAMID OIL COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2011

4. Income Taxes

Income tax provision (benefit) consists of the following:

	Year Ended December 31,		
	2011	2010	2009
Federal income taxes:			
Current	$174,403	$92,000	$(193,411)
Deferred	(70,350)	(211,700)	(54,975)
	104,053	(119,700)	(248,386)
State income taxes:			
Current	28,800	17,100	(1,871)
Deferred	(20,150)	(60,300)	(9,380)
	8,650	(43,200)	(11,251)
Income tax provision (benefit)	$112,703	$(162,900)	$(259,637)

Differences exist between certain accounting policies and related provisions included in federal income tax rules. The amounts by which these differences and other factors cause the total income tax provision to differ from an amount computed by applying the federal statutory income tax rate to financial income is set forth in the following reconciliation:

	Year Ended December 31,		
	2011	2010	2009
Federal income tax expense (benefit) at statutory rate	$410,686	$28,207	$(152,634)
Statutory depletion	(320,627)	(169,589)	—
Prior period tax changes	—	—	(93,584)

State income taxes	28,800	17,100	(15,094)
Other	(6,156)	(38,618)	1,675
Income tax provision (benefit)	$112,703	$(162,900)	$(259,637)

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PYRAMID OIL COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2011

The components of net deferred tax asset (liability) are as follows:

	Year Ended December 31,		
	2011	2010	2009
Current deferred taxes:			
Gross assets	$262,500	$245,100	$196,200
Gross liabilities	—	—	—
	262,500	245,100	196,200
Noncurrent deferred taxes:			
Gross assets	2,500,300	2,474,700	2,251,600
Gross liabilities	—	—	—
Valuation allowance	(1,718,700)	(1,766,200)	(1,766,200)
	781,600	708,500	485,400
	$1,044 ,100	$953,600	$681,600

The tax effect of significant temporary differences representing deferred tax assets and (liabilities) are as follows:

	Year Ended December 31,		
	2011	2010	2009
Accounts receivable	$1,600	$1,600	$1,600
Asset retirement obligations	500,100	482,700	466,000
Statutory depletion carryover	1,718,700	1,766,200	1,766,200
Accrued liabilities	260,900	243,500	194,600
Total deferred tax assets	2,481,300	2,494,000	2,428,400
Property and equipment	281,500	225,800	19,400

Valuation allowance	(1,718,700)	(1,766,200)	(1,766,200)
	$1,044,100	$953,600	$681,600

At December 31, 2011, a valuation allowance has been provided against the statutory depletion carryover due to the uncertainty of its future utilization.

The Company believes that its estimate of deferred tax assets and determination to record a valuation allowance against the statutory depletion carryover are critical accounting estimates because they are subject to, among other things, an estimate of future taxable income, which is susceptible to change and dependent upon events that may or may not occur, and because the impact of recording a valuation allowance may be material to the assets reported on the balance sheet and results of operations.

PYRAMID OIL COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2011

At December 31, 2011, the Company has, for Federal income tax purposes, a statutory depletion carryover of approximately $4,421,000, which currently has no expiration date.

The Company adopted the provisions of FASB ASC Topic No. 740-10-25 (ASC 740-10-25), Accounting for Uncertainty in Income Taxes, on January 1, 2007. As a result of the implementation of ASC 740-10-25, the Company made a comprehensive review of its portfolio of tax positions in accordance with recognition standards established by ASC 740-10-25. As a result of the implementation of ASC 740-10-25, the Company recognized no material adjustments to liabilities or stockholders' equity.

The Company files income tax returns in the U.S. Federal jurisdiction, and California, Texas and New York states. With few exceptions, the Company is no longer subject to U.S. Federal tax examination for the years prior to 2008. State jurisdictions that remain subject to examination range from 2007 to 2010. The Company does not believe there will be any material changes in its unrecognized tax positions over the next 12 months.

The Company's policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of the date of adoption of ASC 740-10-25, the Company did not have any accrued interest or penalties associated with any unrecognized tax benefits, nor was any interest expense recognized during the year ended December 31, 2011.

5. Related-Party Transaction

Effective January 1, 1990, John H. Alexander, an officer and director of the Company participated with a group of investors that acquired the mineral and fee interest on one of the Company's oil and gas leases (Santa Fe Energy lease) in the Carneros Creek field after the Company declined to participate. The thirty-three percent interest owned by Mr. Alexander represents a minority interest in the investor group. Royalties on oil and gas production from this property paid to the investor group approximated $226,200, $195,000 and $188,500 in 2011, 2010 and 2009, respectively.

As a director, Mr. Alexander has abstained from voting on any of the above matters that have been brought before the Board of Directors, involving the Santa Fe lease. See Note 13 for discussion of severance awards entered into with Mr. Alexander.

6. Fourth Quarter Results (Unaudited)

During the fourth quarter of 2011, the Company made adjustments to the carrying value of some of one of its oil and gas properties. The Company recorded a valuation allowance in the amount of $23,879 at December 31, 2010 to reflect the change in the projected future discounted net cash flows for this property, as the result of the analysis of the Company's oil and gas reserves by independent consultants.

PYRAMID OIL COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2011

During the fourth quarter of 2010, the Company made adjustments to the carrying value of some of one of its oil and gas properties. The Company recorded a valuation allowance in the amount of $237,647 at December 31, 2010 to reflect the change in the projected future discounted net cash flows for this property, as the result of the analysis of the Company's oil and gas reserves by independent consultants. During the fourth quarter of 2010, the Company recorded a valuation allowance of $117,412 against one of the Company's joint venture wells in Texas. The Company also recorded additional depletion of $27,010 on its oil and gas properties as a result of the analysis of the Company's oil and gas reserves by independent consultants at December 31, 2010.

During the fourth quarter of 2009, the Company made adjustments to the carrying value of some of its oil and gas properties. The Company recorded a valuation allowance in the amount of $358,757 as of December 31, 2009, to reflect the change in the projected future undiscounted net cash flows for the properties, as the result of the analysis of the Company's oil and gas reserves by independent consultants. The adjustment at December 31, 2009, of $358,727, is due to write-downs of the Company's investment in two natural gas wells drilled by the Texas joint venture. The economic results from the first well during 2009 and the projected future discounted net cash flows from the second well did not support the costs that had been capitalized at December 31, 2009.

7. Commitments and Contingencies

The Company is liable for future dismantlement and abandonment costs associated with its oil and gas properties. These costs include down-hole plugging and abandonment of wells, future site restoration, post closure and other environmental exit costs. The costs of future dismantlement and abandonment have been accrued and recorded in the financial statements. See Note 10, Assets Retirement Obligations.

The Company is subject to potential litigation within the normal course of business. In management's opinion, the resolution of such litigation would not have a material adverse effect upon the Company's financial position or the results of its operations. The Company did not have any pending litigation at December 31, 2011.

In February 2002, the Company entered into an employment agreement with John H. Alexander pursuant to which Mr. Alexander agreed to serve as the Company's Vice President. On June 3, 2004, Mr. Alexander was appointed as the Company's President and Chief Executive Officer. The employment agreement is for an initial term of six years, which term automatically renews annually if written notice is not tendered.

Pursuant to the employment agreement, the Company may terminate Mr. Alexander's employment with or without cause at any time before its term expires upon providing written notice. In the event the Company terminates Mr. Alexander's employment without cause, Mr. Alexander would be entitled to receive a severance amount equal to his annual base salary and benefits for the balance of the term of his employment agreement. In the event of termination by reason of Mr. Alexander's death or permanent disability, his legal representative will be entitled to receive his annual salary and benefits for the remaining term of his employment agreement. In the event of, or termination following, a change in control of the Company, as defined in the agreement, Mr. Alexander would be entitled to receive his annual salary and benefits for the remainder of the term of his agreement. In the event that Mr. Alexander is terminated the Company would incur approximately $600,000 in costs (see Note 12).

PYRAMID OIL COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2011

The Company has been notified by the United States Environmental Protection Agency (EPA) of a final settlement offer to settle its potential liability as a generator of waste containing hazardous substances that were disposed of at a waste disposal site in Santa Barbara County. The Company has responded to the EPA by indicating that the waste contained petroleum products that fall within the exception to the definition of hazardous substances for petroleum-related substances of the pertinent EPA regulations. Management has concluded that under both Federal and State regulations no reasonable basis exists for any valid claim against the Company. As such, the likelihood of any settlement is deemed remote.

8. Gain on Sale of Fixed Assets

During 2011, the Company recognized a gain of $1,512 on the sale of a Company owned vehicle. On July 28, 2010, the Company entered into a Purchase and Sale Agreement for the sale of a portion of its Texas joint venture leaseholds. Pursuant to the agreement, the Company agreed to sell to the buyers 5% of the working interest of the Company's Texas joint venture, subject to certain prior agreements and encumbrances. The purchase price for the assigned interest is $320,566. After the sale, the Company continues to own a 7.5% working interest in the assets. The Company recognized a gain on the sale of the Texas leasehold interests in the amount of $320,566. The leasehold interests had been previously fully amortized.

9. Defined Contribution Plan

The Company has a defined contribution plan (Simple IRA) available to all employees meeting certain service requirements. Employees may contribute up to a maximum of $6,000 of their compensation to the plan. The Company will make a contribution to the plan in an amount equal to the employee’s contributions up to 3% of their salaries. Contributions of $11,549, $9,521 and $10,428 were made during the years ended December 31, 2011, 2010 and 2009, respectively.

10. Asset Retirement Obligations

The Company recognizes a liability at discounted fair value for the future retirement of tangible long-lived assets and associated assets retirement cost associated with the petroleum and natural gas properties. The fair value of the liability is capitalized as part of the cost of the related asset and amortized to expense over its useful life. The liability accretes until the date of expected settlement of the retirement obligations. The related accretion expense is recognized in the statement of operations. The provision will be revised for the effect of any changes to timing related to cash flow or undiscounted abandonment costs. Actual expenditures incurred for the purpose of site reclamation are charged to the asset retirement obligations to the extent that the liability exists on the balance sheet. Differences between the actual costs incurred and the fair value of the liability recorded are recognized in income in the period the actual costs are incurred.

PYRAMID OIL COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2011

There are no legally restricted assets for the settlement of asset retirement obligations. The Company has recognized deferred tax benefits of approximately $500,100 for the asset retirement obligations as of December 31, 2011.

A reconciliation of the Company's asset retirement obligations from the periods presented, are as follows:

	December 31,		
	2011	2010	2009
Beginning balance	$1,235,193	$1,193,324	$1,151,706
Incurred during the period	(13,397)	—	—
Additions for new wells	11,779	6,942	—
Accretion expense	45,314	34,927	41,618
Ending balance	$1,278,889	$1,235,193	$1,193,324

11. Stock Based Compensation

The Company issued warrants and options to purchase common shares of the Company as compensation for consulting and Board of Directors services. The value of warrants and options issued for compensation are accounted for as a non-cash expense to the Company at the fair value of the warrants and options issued. The Company values the warrants and options at fair value as calculated by using the Black-Scholes option-pricing model. As of December 31, 2011 the Company has $0 in unamortized stock based compensation related to outstanding options and warrants.

The Company has adopted FASB ASC Topic No. 718 (ASC 718) which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees, directors and consultants based on estimated fair values. ASC 718 requires companies to estimate the fair value of the award that is ultimately expected to vest to be recognized as expense. ASC 718 requires companies to estimate the fair value of share-based payment awards on the date of the grant using an option-pricing model. The value of the award that is ultimately expected to vest is recognized as expense over the requisite service periods.

The Company's determination of fair value of share-based payment awards on the date of grant uses the Black-Scholes model, which is affected by the Company's stock price as well as assumptions regarding a number of complex and subjective variables. These variables include, but are not limited to, the expected stock price volatility over the expected term of the awards, and actual and projected option exercise behaviors. The Company estimated expected volatility using historical data. The fair value of each warrant was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

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PYRAMID OIL COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2011

Risk-free interest rate	1.19%
Expected term (years)	2.0
Volatility	135 %
Expected annual dividends	-
Stock price at November 13, 2008	$3.96

The following table summarizes the warrant activity for the twelve months ended December 31, 2011:

	Number of Warrants and Options	Weighted-Average Exercise Price
Outstanding, December 31, 2010	25,000	$ 3.20
Granted	10,000	5.40
Exercised	(10,000)	(3.20)
Cancelled	—	—
Outstanding, December 31, 2011	25,000	$ 4.08

The following summarizes the warrants issued, outstanding and exercisable as of December 31, 2011:

Grant Date	November, 2008
Strike Price	$3.20
Expiration Date	October 31, 2012
Warrants Remaining	15,000
Proceeds if Exercised	$48,000
Call Feature	None

During 2010, the Company's Board of Directors approved the extension of the expiration date of the warrants from November of 2010 to November of 2011. The Company recorded stock based compensation of $9,783 for the period ended December 31, 2010 as a result of the extension of the expiration date of the warrants. During 2011, the Company's Board of Directors approved the extension of the expiration date of the warrants from November of 2011 to October 31 of 2012. There was no additional stock based compensation recorded for this extension.

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PYRAMID OIL COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2011

The following summarizes the options issued, outstanding and exercisable as of December 31, 2011:

Grant Date	June 2, 2011
Strike Price	$5.40
Expiration Date	June 1, 2016
Options Remaining	10,000
Proceeds if Exercised	$54,000
Call Feature	None

12. Severance Award Agreements

On September 15, 2010, the Company and John Alexander entered into a Severance Award Agreement pursuant to which the Company awarded Mr. Alexander a supplemental payment in connection with his future severance of employment with the Company and recorded an increase to stockholders' equity of $113,500. Pursuant to the Severance Award Agreement and following the termination of Mr. Alexander's employment, he will be entitled to receive (at the Company's option) 25,000 shares of the Company's common stock or the then-fair market value of the shares. As of September 30, 2010, the Company intended to deliver the Company's common shares for the Severance Award; the Company's common shares for the Severance Award; therefore, in accordance with ASC 718, management classified the share-based compensation as stockholders' equity at December 31, 2010.

On June 4, 2009, the Company and John Alexander entered into a Severance Award Agreement pursuant to which the Company awarded Mr. Alexander a supplemental payment in connection with his future severance of employment with the Company and recorded an increase to stockholders' equity of $209,935. Pursuant to the Severance Award Agreement and following the termination of Mr. Alexander's employment, he will be entitled to receive (at the Company's option) 25,000 shares of the Company's common stock or the then-fair market value of the shares. As of June 30, 2009, the Company intended to deliver the Company's common shares for the Severance Award; therefore, in accordance with FASB ASC Topic 718, Compensation-Stock Compensation, management has classified the share-based compensation as stockholders' equity at December 31, 2009.

13. Incentive and Retention Plan

On January 9, 2007, the Company's Board of Directors adopted an Incentive and Retention Plan pursuant to which the Company's officers and other employees selected by the Company's Compensation Committee are entitled to receive payments if they are employed by the Company as of the date of a 'Corporate Transaction,' as defined in the Incentive and Retention Plan. A 'Corporate Transaction' includes certain mergers involving the Company, sales of Company assets, and other changes in the control of the Company, as specified in the Incentive and Retention Plan. In general, the amount that is payable to each plan participant will equal the number of plan units that have been granted to him or her, multiplied by the increase in the value of the Company between January 9, 2007 and the date of a Corporate Transaction. There has been no Corporate Transaction since the adoption of the Incentive and Retention Plan.

PYRAMID OIL COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2011

14. Registration Statement on Form S-3

The Company filed a shelf registration statement on Form S-3 with the Securities and Exchange Commission (SEC) on December 22, 2009, that became effective on January 14, 2010. The registration statement is designed to provide the Company the flexibility to offer and sell from time to time up to $20 million of the Company's common stock. The Company may offer and sell such securities through one or more methods of distribution, subject to market conditions and the Company's capital needs. The terms of any offering under the shelf registration statement will be established at the time of such offering and will be described in a prospectus supplement filed with the SEC prior to the completion of the offering. The Company has not filed any supplemental prospectus with the SEC or sold any common stock under this registration statement.

PYRAMID OIL COMPANY

SUPPLEMENTAL INFORMATION (UNAUDITED)

OIL AND GAS PRODUCING ACTIVITIES

DECEMBER 31, 2011

FASB ASC Topic 932, Extraction Activities - Oil and Gas, requires disclosure of certain financial data for oil and gas operations and reserve estimates of oil and gas. This information, presented here, is intended to enable the reader to better evaluate the operations of the Company. All of the Company's oil and gas reserves are located in the United States.

The aggregate amounts of capitalized costs relating to oil and gas producing activities and the related accumulated depletion, depreciation, and amortization and valuation allowances as of December 31, 2011, 2010 and 2009 were as follows:

	2011	2010	2009
Proved properties	$18,946,000	$17,922,900	$15,906,600
Unproved properties being amortized	178,600	178,600	178,600
Unproved properties not being amortized	—	—	—
Capitalized asset retirement costs	401,200	389,500	382,600
Accumulated depletion, depreciation, amortization and valuation allowances	(17,132,100)	(15,755,500)	(14,093,000)
	$2,393,700	$2,735,500	$2,374,000

The estimated quantities and the change in proved reserves, both developed and undeveloped, for the Company are as follows:

	2011		2010		2009	
	Oil (Mbbls)	Gas (MMCF)	Oil (Mbbls)	Gas (MMCF)	Oil (Mbbls)	Gas (MMCF)
Proved developed and undeveloped reserves:						
Beginning of year	538	44	506	81	471	155
Revisions of previous estimates	63	7	92	(28)	92	(69)
Extensions, discoveries and other additions	—	—	—	—	—	—
Production	(55)	(9)	(60)	(9)	(57)	(5)
End of year	546	42	538	44	506	81

Proved developed reserves:						
Beginning of year	433	35	383	43	447	59
End of year	474	42	433	35	383	43
Proved undeveloped reserves:						
Beginning of year	105	8	123	38	24	96
End of year	71	0	105	8	123	38

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PYRAMID OIL COMPANY

SUPPLEMENTAL INFORMATION (UNAUDITED) (Continued)

OIL AND GAS PRODUCING ACTIVITIES

DECEMBER 31, 2011

The foregoing estimates have been prepared by the Company from data prepared by an independent petroleum engineer in respect to certain producing properties. Revisions in previous estimates as set forth above can result from analysis of new information, as well as from additional production experience or from a change in economic factors. The primary factor that has impacted the revisions of previous estimates of crude oil and natural gas reserves noted above is from a change in crude oil and natural gas prices used to determine the valuation of year-end reserves. Higher crude oil and natural gas prices cause certain oil and gas leases to become more profitable, thus generating additional reserves. Net average crude oil sales prices (average crude oil sales prices net of operating costs, production taxes and development costs) used to value the year-end reserves increased by approximately $18.00 per barrel at December 31, 2011, $12.60 per barrel at December 31, 2010 and by $21.90 per barrel at December 31, 2009.

The decrease in revisions of previous estimates for natural gas reserves at December 31, 2010, is due primarily to one of the Company's Texas joint venture wells. During 2010, this well started producing exclusively crude oil due to work that was done on this well in 2010. Natural gas prices used to value the year-end reserves decreased by approximately $3.16 per MCF at December 31, 2009.

The reserve estimates are believed to be reasonable and consistent with presently known physical data concerning size and character of the reservoirs and are subject to change as additional knowledge concerning the reservoirs becomes available.

The present value of estimated future net revenues of proved developed and undeveloped reserves, discounted at 10%, were as follows:

	December 31,		
	2011	2010	2009
Proved developed and undeveloped reserves (Present value before income taxes)	$18,439,000	$13,068,000	$9,158,000

FASB ASC Topic 932, Extraction Activities - Oil and Gas, requires certain disclosures of the costs and results of exploration and production activities and established a standardized measure of oil and gas reserves and the year-to-year changes therein.

In addition to the foregoing disclosures, FASB ASC Topic 932, Extraction Activities - Oil and Gas established a "Standardized Measure of Discounted Future Net Cash Flows and Changes Therein Relating to Proved Oil and Gas Reserves".

Costs incurred, both capitalized and expensed, of oil and gas property acquisition, exploration and development for the years ended December 31, 2011, 2010 and 2009 were as follows:

	2011	2010	2009
Property acquisition costs	$700	$60,000	$—
Exploration costs - expensed	—	—	—
Development costs	1,022,300	2,113,900	329,800
Asset retirement costs	11,800	6,900	—

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PYRAMID OIL COMPANY

SUPPLEMENTAL INFORMATION (UNAUDITED) (Continued)

OIL AND GAS PRODUCING ACTIVITIES

DECEMBER 31, 2011

The results of operations for oil and gas producing activities for the years ended December 31, 2011, 2010 and 2009 were as follows:

	2011	2010	2009
Sales	$5,688,000	$4,515,000	$3,312,000
Production costs	1,920,000	1,698,000	1,552,000
Exploration costs	—	—	—
Accretion expense	45,000	35,000	42,000
Depletion, depreciation, amortization and valuation allowance	1,486,000	1,819000	885,000
	2,237,000	963,000	833,000
Income tax (benefit) provision	113,000	(163,000)	(260,000)
Results of operations from production activities	$2,124,000	$1,126,000	$1,093,000

The standardized measure of discounted estimated future net cash flows relating to proved oil and gas reserves for the years ended December 31, 2011, 2010 and 2009 were as follows:

	2011	2010	2009
Future cash inflows	$58,216,000	$41,973,000	$30,117,000
Future development and production costs	24,445,000	19,454,000	15,063,000
Future abandonment costs	1,279,000	1,235,000	1,193,000
Future income tax expense	7,987,000	4,759,000	2,744,000
Future net cash flow	24,505,000	16,525,000	11,177,000
10% annual discount	9,392,000	6,368,000	3,824,000
Standardized measure of discounted future net cash flow	$15,113,000	$10,157,000	$7,353,000

PYRAMID OIL COMPANY

SUPPLEMENTAL INFORMATION (UNAUDITED) (Continued)

OIL AND GAS PRODUCING ACTIVITIES

DECEMBER 31, 2011

The principal changes in the standardized measure of discounted future net cash flows during the years ended December 31, 2011, 2010 and 2009 were as follows:

	2011	2010	2009
Extensions	$—	$—	$—
Revisions of previous estimates			
Price changes	7,026,000	4,962,000	2,784,000
Quantity estimates	1,901,000	2,016,000	3,297,000
Change in production rates, timing and other	(1,157,000)	(2,136,000)	1,421,000
Development costs incurred	1,023,000	941,000	248,000
Changes in estimated future development costs	315,000	(46,000)	(1,464,000)
Estimated future abandonment costs	8,000	(4,000)	33,000
Sales of oil and gas, net of production costs	(3,768,000)	(2,817,000)	(1,760,000)
Accretion of discount	1,386,000	994,000	492,000
	6,734,000	3,910,000	5,051,000
Net change in income taxes	1,778,000	1,106,000	1,489,000
Net (decrease) increase	$4,956,000	$2,804,000	$3,562,000

Estimated future cash inflows are computed by applying year-end prices of oil and gas to year-end quantities of proved reserves. Estimated future development and production costs are determined by estimating the expenditures to be incurred in developing and producing the proved oil and gas reserves at the end of the year, based on year-end costs and assuming continuation of existing economic conditions. Estimated future income tax expense is calculated by applying the year-end effective tax rate to estimated future pretax net cash flows related to proved oil and gas reserves, less the tax basis of the properties involved.

These estimates are furnished and calculated in accordance with requirements of the Financial Accounting Standards Board and the Securities and Exchange Commission. Because of the unpredictable variances in expenses and capital forecasts, crude oil and natural gas price changes being largely influenced and controlled by United States and foreign governmental 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 do not represent management's assessment of future profitability or future actual cash flows of the Company. It should be recognized that applying current costs and prices and a ten percent standard discount rate allows for comparability but does not convey absolute value. The discounted amounts arrived at are only one measure of financial quantification of proved reserves.

The standardized measure of discounted future cash flows before income taxes increased by $6,734,000 at December 31, 2011. The increase in income taxes offset discounted future cash flows by $1,778,000 for a net increase in future cash flows of $4,956,000 after income taxes as of December 31, 2011. The major factor contributing to the increase in cash flows is higher net average crude oil prices (average crude oil sales prices net of operating costs, production taxes and development costs). During 2011, net average crude oil prices increased by approximately $18.00 per barrel. This price increase contributed to an increase in discounted cash flows due to price changes of $7,026,000.

PYRAMID OIL COMPANY

SUPPLEMENTAL INFORMATION (UNAUDITED) (Continued)

OIL AND GAS PRODUCING ACTIVITIES

DECEMBER 31, 2011

The standardized measure of discounted future cash flows before income taxes increased by $3,910,000 at December 31, 2010. The increase in income taxes offset discounted future cash flows by $1,106,000 for a net increase in future cash flows of $2,804,000 after income taxes as of December 31, 2010. The major factor contributing to the increase in cash flows is higher net average crude oil prices (average crude oil sales prices net of operating costs, production taxes and development costs). During 2010 Net average crude oil prices increased by approximately $12.60 per barrel. This price increase contributed to an increase in discounted cash flows due to price changes of $4,962,000 and a change in quantity estimates of $2,016,000.

The standardized measure of discounted future cash flows before income taxes increased by $5,051,000 at December 31, 2009. The increase in income taxes offset discounted future cash flows by $1,489,000 for a net increase in future cash flows of $3,562,000 after income taxes as of December 31, 2009. The major factor contributing to the increase in cash flows is higher average crude oil prices. Average crude oil prices at December 31, 2009, increased by approximately $21.90 per barrel. This price increase contributed to an increase in discounted cash flows due to price changes of $2,784,000 and a change in quantity estimates of $3,297,000. The increase in estimated discounted future income taxes is due to the increase in the value of the Company's oil and gas reserves due to the higher crude oil prices.

PYRAMID OIL COMPANY

SUPPLEMENTAL INFORMATION (UNAUDITED)

QUARTERLY RESULTS

	2011	2010
REVENUES:		
Quarter Ended:		
March 31	$1,327,310	$1,001,739
June 30	1,549,029	1,228,391
September 30	1,412,842	1,420,020
December 31	1,400,768	1,185,617
	$5,689,949	$4,835,767
NET INCOME (LOSS):		
Quarter Ended:		
March 31	$319,642	$180,670
June 30 (a)	427,023	(301,871)
September 30 (b)	4,263	393,800
December 31 (c)	344,269	(26,736)
	$1,095,197	$245,863
INCOME (LOSS) PER COMMON SHARE:		
Quarter Ended:		
March 31	$0.07	$0.04
June 30 (a)	0.09	(0.06)
September 30 (b)	0.00	0.08
December 31 (c)	0.07	(0.01)
	$0.23	$0.05

(a) Reflects a valuation allowance of $867,468 recorded during the second quarter of 2010 for the write-down of the costs of drilling a well in the second quarter of 2010 that was abandoned as a dry-hole.

(b) Reflects a valuation allowance of $673,000 recorded in the third quarter of 2011 for the write-down of the costs of a well drilled in the first quarter of 2011.

(c) Reflects valuation allowances of $355,000 at December 31, 2010, due to the write-down of certain oil and gas properties (see Note 6 of Notes to Financial Statements included in Item 8 of this Form 10-K).

PYRAMID OIL COMPANY

CORPORATE INFORMATION

Board of Directors	Michael D. Herman, Chairman of the Board John H. Alexander, President, Pyramid Oil Company John E. Turco, Private Investor Gary L. Ronning, former Executive Vice President, Western Region Prime Natural Resources, LLC
Officers	John H. Alexander, President Lee G. Christianson, Secretary-Treasurer
Independent Auditor	SingerLewak LLP - Los Angeles, California
Transfer Agent and Registrar	Computershare Investor Services 250 Royall St. Canton, MA 02021 800-962-4284
Corporate Offices	2008-21st Street Bakersfield, California 93301
District Offices	Bakersfield, California
Legal Counsel	TroyGould PC - Los Angeles, California
Investor Information	Availability of Form 10-K: The Annual Report of Pyramid Oil Company on Form 10-K, as filed with the Securities and Exchange Commission, is available to any stockholder upon request without charge. Please address all such requests to: Corporate Secretary Pyramid Oil Company P.O. Box 832 Bakersfield, California 93302 COMMON STOCK: The Company's common stock is traded on the NYSE AMEX using symbol PDO.

Item 9 - Changes In and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 9A - Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that the Company files with the Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934 (the “Exchange Act”) is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to the Company’s management, including the principal executive and financial officers, as appropriate, to allow for timely decisions regarding required disclosure. As required by SEC Rule 13a-15(b), the Company carried out an evaluation, under the supervision and with the participation of its management, including principal executive and financial officers, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures as of the end of the period covered by this Annual Report. Based on the foregoing, the Company’s principal executive and financial officers concluded that the Company’s disclosure controls and procedures are effective to ensure that the information required to be disclosed in the Company’s reports filed or submitted under the Exchange Act is timely recorded, processed and reported within the time periods specified in the SEC’s rules and forms.

Management’s Report on Internal Control over Financial Reporting

This report is provided by the Company’s management pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 and the SEC rules promulgated thereunder. Management is responsible for establishing and maintaining adequate internal control over financial reporting and for assessing the effectiveness of internal control over financial reporting.

The Company’s control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the Untied States. The Company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company’s assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States, and that the Company’s receipts and expenditures are being made only in accordance with authorizations of the Company’s management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisitions, use, or disposition of the Company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the Company's internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the assessment of the Company's internal control over financial reporting, management has concluded that, as of December 31, 2011, the Company's internal control over financial reporting was effective.

Pursuant to applicable law, this annual report is not required to include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting.

There has been no change in the Company's internal control over financial reporting during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B - Other Information

The Company is aware of no information that was required to be disclosed in a report on Form 8-K during the fourth quarter of 2011 but was not reported.

PART III

Item 10 - Directors, Executive Officers and Corporate Governance

The Company hereby incorporates by reference the information to be contained under the section entitled "Directors and Executive Officers" or a similarly entitled section from its definitive Proxy Statement to be filed with the Securities and Exchange Commission in connection with its 2012 Annual Meeting of Shareholders.

The Company has adopted a code of ethics that is applicable to all of its directors, officers and employees. A copy of the code is available at no charge to any person who sends a request for a copy to the Corporate Secretary, Pyramid Oil Company, P.O. Box 832, Bakersfield, California 93302.

Item 11 - Executive Compensation

The Company hereby incorporates by reference the information to be contained under the section entitled "Compensation of Directors and Executive Officers" or a similarly entitled section from its definitive Proxy Statement to be filed with the Securities and Exchange Commission in connection with its 2012 Annual Meeting of Shareholders.

Item 12 - Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The Company hereby incorporates by reference the information to be contained under the section entitled "Voting Securities and Principal Holders Thereof" or a similarly entitled section from its definitive Proxy Statement to be filed with the Securities and Exchange Commission in connection with its 2012 Annual Meeting of Shareholders.

Item 13 - Certain Relationships and Related Transactions, and Director Independence

Effective January 1, 1990, John H. Alexander, an officer and director of the Company participated with a group of investors that acquired the mineral and fee interest on one of the Company's oil and gas leases (Santa Fe Energy lease) in the Carneros Creek field after the Company declined to participate. The thirty-three percent interest owned by Mr. Alexander represents a minority interest in the investor group. Royalties on oil and gas production from this property paid to the investor group approximated $226,200 in 2011, $195,000 in 2010 and $188,500 in 2009.

As a director, Mr. Alexander has abstained from voting on any of the above matters that have been brought before the Board of Directors involving the Santa Fe lease.

Item 14. Principal Accounting Fees and Services

The Company hereby incorporates by reference the information contained under the section entitled "Principal Accounting Fees and Services" or a similarly entitled section from its definitive Proxy Statement to be filed with the Securities and Exchange Commission in connection with its 2012 Annual Meeting of Shareholders.

Item 15 - Exhibits and Financial Statement Schedules

3.1	Restated Articles of Incorporation of Pyramid Oil Company (previously filed by the registrant on December 17, 2009 as Exhibit 3.1 to the registrant's Current Report on Form 8-K, and incorporated herein by reference).
3.2	Amended and Restated Bylaws of Pyramid Oil Company (previously filed by the registrant on December 17, 2009 as Exhibit 3.2 to the registrant's Current Report on Form 8-K, and incorporated herein by reference).
10.1	Employment Agreement of John H. Alexander, dated February 21, 2002 (previously filed by the registrant on March 29, 2002 as Exhibit 10.4 to the registrant's Quarterly Report on Form 10-QSB, and incorporated herein by reference).
10.2	Severance Award Agreement of John H. Alexander, dated January 9, 2007 (previously filed by the registrant on January 16, 2007 as Exhibit 99.1 to the registrant’s Current Report on Form 8-K, and incorporated herein by reference).
10.3	Severance Award Agreement of John H. Alexander, dated December 30, 2008 (previously filed by the registrant on January 6, 2008 as Exhibit 10.1 to the registrant’s Current Report on Form 8-K, and incorporated herein by reference).

10.4	Severance Award Agreement of John H. Alexander, dated June 4, 2009 (previously filed by the registrant on March 30, 2011 as Exhibit 10.4 to the registrant's Annual Report on Form 10-K, and incorporated herein by reference).
10.5	Severance Award Agreement of John H. Alexander, dated September 21, 2010 (previously filed by the registrant on November 12, 2010 as Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q, and incorporated herein by reference).
23.1	Consent of SingerLewak LLP.
23.2	Consent of MHA Petroleum Consultants, LLC.

31.1	Certification of Chief Executive Officer Pursuant to 15 U.S.C. Section 7241, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to 15 U.S.C. Section 7241, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Report dated March 12, 2012 of MHA Petroleum Consultants, LLC, independent petroleum engineers.
101	The following financial information from the Annual Report on Form 10-K of Pyramid Oil Company for the year ended December 31, 2011, formatted in XBRL (eXtensible Business Reporting Language): (1) Balance Sheets as of December 31, 2011 and December 31, 2010; (2) Statements of Operations for the years ended December 31, 2011, 2010 and 2009; (3) Statements of Shareholders' Equity for the years ended December 31, 2011, 2010 and 2009; (4) Statements of Cash Flows for the years ended December 31, 2011, 2010 and 2009; and (5) Notes to Financial Statements.*

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* Pursuant to Rule 406T of Regulation S-T, the information in Exhibit 101 (a) is “furnished” and is not deemed to be “filed” or part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, (b) is deemed not to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and (c) is not otherwise subject to liability under those sections.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

	PYRAMID OIL COMPANY	
March 30, 2012	By:	JOHN H. ALEXANDER John H. Alexander Director/President Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

JOHN H. ALEXANDER	Director/President John H. Alexander Chief Executive Officer	March 30, 2012
MICHAEL D. HERMAN	Director/Chairman of the Board Michael D. Herman	March 30, 2012
JOHN E. TURCO John E. Turco	Director	March 30, 2012
GARY L. RONNING Gary L. Ronning	Director	March 30, 2012
LEE G. CHRISTIANSON Lee G. Christianson	Corporate Secretary/ Principal Accounting and Financial Officer	March 30, 2012