

TRI VALLEY CORP  
Form DEF 14A  
September 25, 2009

**SCHEDULE 14A**

**(RULE 14A-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant  [ X ]

Check the appropriate box:

- Preliminary Proxy Statement  
 Confidential, for use of the Commission Only (as permitted by Rule 14a-6(e)(2))  
 Definitive Proxy Statement  
  
 Definitive Additional Materials  
 Soliciting Material Pursuant to Sec. 240.14a-11(c) or Sec. 240.14a-12

**TRI-VALLEY CORPORATION**

(Name of Registrant as Specified in its Charter)

**Filed on Behalf of the Board of Directors**

(Name of Person(s) Filing Proxy Statement,  
if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**TRI-VALLEY CORPORATION**

**4550 California Avenue, Suite 600**

**Bakersfield, California 93309**

**Meeting to be Held:**

**Date: Saturday, October 17, 2009**  
**Time: 9:30 A.M. (P.D.T.)**

**Place: Four Points Sheraton Bakersfield**  
**5101 California Avenue**

**Bakersfield, California 93309**

**Matters to be Voted on:**

1. Electing seven directors to serve for the ensuing year;
2. Amending the Certificate of Incorporation to increase the authorized number of preferred shares from 5,000,000 to 20,000,000.
3. Amending the Certificate of Incorporation to permit the Board of Directors to issue preferred stock in series and determine the terms of each series.
4. Transacting such other business as may properly come before the meeting and any adjournment thereof.

**Who May Attend and Vote at the Meeting:**

Shareholders of record at the close of business on August 18, 2009, and valid proxy holders may attend and vote at the meeting. *If your shares are registered in the name of a brokerage firm or trustee and you plan to attend the meeting, please obtain from the firm or trustee a letter or other evidence of your beneficial ownership of those shares to facilitate your admittance to the meeting.*

**Your vote is important. Whether or not you plan to attend the meeting, please cast your vote by returning the enclosed proxy ballot. You may also vote in person if you attend the shareholders meeting.**

By order of the Board of Directors,

F. Lynn Blystone

Chairman and Chief Executive Officer

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## **PROXY STATEMENT**

**TO THE SHAREHOLDERS OF TRI-VALLEY CORPORATION:**

### **GENERAL INFORMATION ABOUT THE SHAREHOLDERS MEETING**

The only items of business which management intends to present at the meeting are listed in the Notice of Annual Meeting of Shareholders. This proxy statement provides details about the meeting.

The proxy material relating to Tri-Valley Corporation from our Board of Directors is provided to you as the direct or beneficial owner of our common stock, with our sincere request that you give those materials your prompt and thorough consideration. Your vote at the annual meeting is important to Tri-Valley.

The board of directors of Tri-Valley Corporation hereby solicits your proxy (on the enclosed proxy form) for use at our Annual Meeting of Shareholders to be held October 17, 2009, at 9:30 A.M. (local time) at The Four Points Sheraton, 5101 California Avenue, Bakersfield, California 93309.

By returning your signed proxy ballot, you authorize management to vote your shares as you indicate on these items of business and to vote your shares in accordance with management's best judgment in response to proposals initiated by others at the meeting.

Our administrative office is located at 4550 California Avenue, Suite 600, Bakersfield, California 93309. The approximate date on which this proxy statement and proxy will first be sent to the shareholders is September 30, 2009. The costs of this proxy notification will be paid by the company and are estimated to be approximately \$10,500. A professional proxy solicitor has not been engaged.

**If you are unable to attend this meeting, we request that you returned the enclosed proxy ballot, properly executed, in order that your shares will be represented and voted at the meeting.**

### **Changing or Revoking Your Proxy Vote**

You may revoke your proxy at any time before it is exercised at the annual meeting. You may do this by advising our secretary in writing of your desire to revoke your proxy, or by submitting a duly executed proxy ballot bearing a later date. We will honor the proxy ballot with the latest date. You may also revoke your proxy by attending the annual meeting and indicating that you wish to vote in person.



## Who May Vote

As of August 3, 2009, 27,623,967 shares of our common stock were outstanding. Each share is entitled to one vote per director in the election of directors and one vote in all other matters to be voted upon at the meeting. **Shareholders of record as of the close of business at 5:00 P.M. on Tuesday, August 18, 2009, are the only persons entitled to vote at this meeting.**

## Voting in Person

Although we encourage you to complete and return your proxy to ensure that your vote is counted, you can attend the annual meeting and vote your shares in person.

## How Your Votes Are Counted

We will hold the annual meeting if holders of a majority of the outstanding shares are present either in person or by proxy. If you sign and return your proxy ballot, your shares will be counted to determine whether we have a quorum even if you abstain or fail to vote on any of the matters listed on the proxy card.

The vote of a plurality of the shares present at the meeting, in person or by proxy, is necessary to elect directors.

## Voting by Street Name Holders

If your shares are held in a brokerage account or by another nominee, you are considered the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you by your broker or nominee (the record holder) along with a voting instruction card. As the beneficial owner, you have the right to direct your record holder how to vote your shares, and the record holder is required to vote your shares in accordance with your instructions. If you do not give instructions to your record holder, the record holder will be entitled to vote your shares in its discretion on Proposal 1 (Election of Directors), but will not be able to vote your shares on Proposals 2, 3 or 4, and your shares will be considered a broker non-vote on those proposals.

As the beneficial owner of shares, you are invited to attend the annual meeting. Please note, however, that if you are a beneficial owner, you may not vote your shares in person at the meeting unless you obtain a legal proxy from the record holder that holds your shares.

## ABSTAINING IS THE SAME AS VOTING NO

If you mark "Abstain" with respect to any proposal on your proxy ballot, your shares will be counted in the number of votes cast. **However, a vote to Abstain has the same effect as voting no. Management requests that you vote either For or Against on each proposal to come**

**before the meeting.**

A "broker non-vote" occurs when a broker or other nominee submits a proxy for your shares but does not indicate a vote for a particular proposal because the broker does not have authority to

2

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vote on that proposal and has not received voting instructions from you. A broker non-vote will have the same effect as a No vote on Proposal 1. Because brokers may not vote on Proposals 2, 3 or 4, broker non-votes will not have any effect on those proposals.

## **ITEMS OF BUSINESS**

### **Proposal 1: ELECTION OF DIRECTORS**

The Board of Directors consists of seven (7) members. At the 2008 annual meeting, eight (8) directors were elected. In November 2008, Director William H. Marumoto passed away, and he was not replaced on the Board. The Board has determined to reduce the size of the Board to stand for election at the upcoming meeting to seven members. Each director serves for a term of one (1) year. All seven (7) director positions are up for election at the meeting. All seven of the currently serving directors have been nominated for re-election. All seven of the currently serving directors were elected by the shareholders at the 2008 annual meeting.

#### **Voting**

The seven nominees receiving the highest number of votes will be elected. Proxies solicited by the board of directors will be voted in favor of each nominee unless shareholders specify otherwise in their proxies. Should any of the nominees become unavailable at the time of the meeting to accept nomination or election as a director, the proxy holders named in the enclosed proxy will vote for substitute nominees at their discretion. Votes withheld for a nominee will not be counted. Our certificate of incorporation does not provide for cumulative voting in elections for director, and cumulative voting for directors will not be permitted at the annual meeting.

**The Board of Directors unanimously recommends a vote FOR the election of each of the following seven nominees for director.**

**Each director must be elected by a plurality vote of the shares represented at the meeting.**

#### **Nominees for the Board of Directors**

Each nominee for director was unanimously nominated by the Nominating and Corporate Governance Committee and by the Board of Directors, including all of the independent directors.

The following pages describe the nominees for director, including their principal occupations for the past five years, certain other directorships, age, length of service as a Tri-Valley director, membership on committees, and attendance at Board and committee meetings. The ownership of our stock by our Directors as well as our executive officers is reported under *Security Ownership of Certain Beneficial Owners and Management*, page 9. Each nominee has agreed to



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be named in this proxy statement and to serve as a director if elected. The ages listed are as of December 31, 2008.

Nominees for Director	Age	Director Since
F. Lynn Blystone	73	1974
Paul W. Bateman	51	2007
Edward M. Gabriel	58	2007
James S. Mayer	51	2008
Loren Miller	63	1992
Henry Lowenstein	54	2005
G. Thomas Gamble	47	2006

### Nominee Profiles

F. Lynn Blystone Chairman and Chief Executive Officer of Tri-Valley Corporation and Tri-Valley Power Corporation, CEO of Tri-Valley Oil & Gas Company, Great Valley Drilling Company, Great Valley Production Company and Select Resources Corporation, which are the five subsidiaries of Tri-Valley Corporation - Bakersfield, California

Mr. Blystone became President and Chief Executive Officer of Tri-Valley Corporation in October 1981. The Board named him Chairman in 2007. In May 2009, the Board named Maston Cunningham as President, as part of the Company's succession program, and Mr. Blystone retained his positions as Chairman and CEO. His background includes institution management, venture capital and various management functions for a mainline pipeline contractor including the Trans-Alaska Pipeline Project. He has founded, run and sold companies in several fields including Learjet charter, commercial construction, municipal finance and land development. He is also president of a family corporation, Bandera Land Company, Inc., with real estate interests in Orange County, California. A graduate of Whittier College, California, he did graduate work at George Williams College, Illinois in organization management. He gives full time to Tri-Valley and its subsidiaries.

Paul W. Bateman Director

Mr. Bateman is President of the Klein & Saks Group, a Washington, DC-based firm that advises clients, principally in the mining and metals industries, on public policy matters. He joined the firm in 1994 and became its president in 1997. He began his career in the late 1970s, as an aide to then former President Richard Nixon. In 1981, he joined the White House staff under President Reagan and subsequently served in that Administration in senior positions at the Departments of Commerce and Treasury. From 1989 to 1993, he served on President George H.W. Bush's White House staff as Deputy Assistant to the President for Management. Since 2005, Mr. Bateman has been the Chairman and chief executive of the International Cyanide Management Institute, which administers a voluntary industry program aimed at improving the management of cyanide used in gold mining. He is a member of the Economic Club of New York, the nation's leading nonpartisan policy forum, and was its president from 2004-2007. He is

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currently the Chairman of the Reform Institute, a nonpartisan think tank dedicated to advancing a solutions-based reform agenda. Mr. Bateman is an independent member of our Board of Directors.

Edward M. Gabriel

Director

Dr. Gabriel is the former U.S. Ambassador to Morocco and, since 2002, is President and CEO of the Washington D.C. based public affairs firm, The Gabriel Company, LLC. Ambassador Gabriel brings a diverse background in a variety of petroleum and other energy sources. Mr. Gabriel's experience is both domestic and international, with extensive relationships in U.S. and Middle Eastern governments, as well as capital resources interested in energy. He is on the advisory board of Guggenheim Partners, a private wealth management firm. His career includes senior management positions with firms such as CONCORD and Madison Public Affairs Group in which he advised Fortune 100 Companies on multi-national matters in technology, energy, banking, environmental, and tax policies. Ambassador Gabriel served the Federal Energy Administration/U.S. Department of Energy as Senior Economic Analysts. He serves as Member, Global Advisory Board of George Washington University and Vice-Chairman of the American Task Force for Lebanon. He is on the board of directors of the American School of Tangier and the Casablanca American School. He is a graduate of Gannon University, was awarded an honorary Doctorate of Laws from Gannon, and he is a member of the University Economics Honor Society. Mr. Gabriel is an independent member of our board of directors.

G. Thomas Gamble

Director

A graduate of UCLA, Mr. Gamble is a successful rancher and businessman with current active investments in agriculture, food processing, educational services, oil, gas and minerals. In 2003, the California State Senate proclaimed privately owned Davies and Gamble, which produces critically acclaimed wines in California's Napa Valley, its Green Entrepreneur Of The Year, and in 2005, Mozzarella Fresca, the nation's premier producer of fresh Italian cheeses, of which he is a director and original investor, received the Certificate of Special Congressional Recognition as business of the year. He is also a director and original investor in Boston Reed College which provides educational opportunities to busy adults seeking stable and growing careers in the California health care industry. Mr. Gamble serves on the Audit Committee and the Personnel and Compensation Committee and is an independent member of our Board of Directors.

Henry Lowenstein

Director

Dr. Lowenstein is Dean and Professor of Management at the E. Craig Wall Sr. College of Business Administration, Coastal Carolina University, Conway, South Carolina. Prior to joining the Coastal Carolina University faculty in 2007, he was Dean of Business and Public Administration at California State University Bakersfield from 2000 to 2007. Dr. Lowenstein has broad background in management within business, academic, government and public service organizations. He serves on the Pre-Accreditation Committee of AACSB International, the top accreditation agency for business schools worldwide. Previous academic positions include universities in Illinois, Virginia and West Virginia. Dr. Lowenstein is published in fields of human resource management, public policy and transportation. In business he was a corporate

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officer for Kemper Group-Insurance and Financial Services, Dominion Bankshares Corporation, and Americana Furniture, Inc. He previously served as a management analyst for the Executive Office of the President of the United States-Office of Management and Budget under the Gerald Ford Administration. Dr. Lowenstein received his Ph.D. in Labor and Industrial Relations from the University of Illinois; an M.B.A. from George Washington University; and B.S. in Business Administration from Virginia Commonwealth University. Dr. Lowenstein is an independent member of our Board of Directors.

James S. Mayer

Director

Since 2007, Mr. Mayer has been the President of Magic Investment Projects, LLC, a U.S. private equity firm. He formerly served as the first vice president, investments for Citigroup Global Markets, Inc. from 2005-2006 and as vice president, alternative investments group for Merrill Lynch from 1999-2005. Prior to that, he was executive vice president of North American operations for Netzsch Inc., a large private German firm. He served as director, strategic business development for the Perkin-Elmer Corporation. Mr. Mayer has a bachelor's degree in chemistry with a minor in physics from State University of New York with graduate studies in finance, securities law, alternative investments and international marketing. He serves on the Finance Committee. He is an independent member of our Board of Directors.

Loren J. Miller, CPA

Director

Mr. Miller has served as Treasurer of the Jankovich Company from 2001 until his retirement in 2008. Prior to that he served in other positions at Jankovich from 1994 to 2001. He served successively as vice president and chief financial officer of Hershey Oil Corporation from 1987 to 1990 and Mock Resources from 1991 to 1992. He was senior financial vice president and general manager of Tosco Production Finance Corporation from 1975 to 1986 and was a senior auditor for the accounting firm of Touche Ross & Company from 1968 to 1973. Mr. Miller is a member of financial executive international, the nation's leading senior financial executive organization and is currently serving as president of the Los Angeles chapter. He is experienced in exploration, production, product trading, refining and distribution as well as corporate finance. He holds a B.S. in accounting and a M.B.A. in finance from the University of Southern California. Mr. Miller is an independent member of our Board of Directors.

### **Board of Directors' Meetings and Committees**

During 2008 the Board of Directors held 5 meetings. All directors attended 100% of the meetings, except for Edward Gabriel who missed one. Jim Mayer was appointed a Director of the Company in August 2008 and was eligible to attend only three meetings.

#### Personnel and Compensation Committee

The independent directors that serve on the personnel and compensation committee are Dr. Henry Lowenstein, Chair and G. Thomas Gamble. The personnel committee met four times during 2008. Both committee members attended all four committee meetings. Actions were



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also initiated by telephone and e-mail and recommendations were presented to the full Board of Directors for discussion and further action.

The activities of the committee are discussed and its committee report is presented under *Executive Compensation, page 10*.

### Audit Committee

The audit committee provides an open avenue of communication between our independent auditor, the company officers and the board of directors. The committee operates under a charter that sets forth the committee's tasks. The chief duties of the committee are:

- Assure the independence and objectivity of the auditing firm.
- Review and coordinate the auditing responsibilities with the auditor and chief financial officer.
- Review the adequacy of internal accounting controls.
- Inquire about significant risks and about management's actions to minimize risks.
- Review significant audit findings and any difficulties encountered in conducting the audit.

The independent directors that serve on the audit committee are Loren J. Miller, Chair, Paul W. Bateman and G. Thomas Gamble. The board of directors has determined that Loren J. Miller is considered to be the audit committee financial expert. Please see his biography above.

The audit committee met eight times during 2008. All committee members attended all eight committee meetings except for Mr. Bateman, who attended seven.

### Audit Committee Report

The audit committee has reviewed and discussed the audited financial statements with management as well as our independent public accountants. The audit committee has received from the independent accountants a formal written statement regarding the auditors' independence and has discussed with the independent accountant matters relating to their independence. The audit committee members have satisfied themselves as to the auditors' independence. The audit committee has discussed with the independent accountants the matters required to be discussed by Statement on Auditing Standards No. 61, which includes, among other items, matters related to the audit of our financial statements.

The audit committee has recommended to the board of directors that the audited financial statements be included in the company's Annual Report on Form 10-K for 2008 for filing with the Securities and Exchange Commission.

Loren J. Miller, Chair

Paul W. Bateman

G. Thomas Gamble

Tri-Valley Corporation Audit Committee

7

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Nominating and Corporate Governance Committee

In 2008 the nominating and corporate governance committee consisted of Dr. Henry Lowenstein, Chair and Edward M. Gabriel, both of whom are independent directors. The committee operates pursuant to a committee charter which has been adopted by the board of directors.

The committee charter provides that the committee will consider candidates for director recommended by other members of the board and by shareholders. The committee selects individuals as director nominees for their character, judgment, ethics, integrity, business experience, time commitment, and acumen, who the committee believes will be effective, in conjunction with the other nominees to the board, in collectively serving the long-term interests of the shareholders and who will satisfy the qualification and composition requirements of the board and its committees, as required by law or the rules of NYSE Amex Equities.

The nominating and corporate governance committee met formally one time during 2008. Actions were also initiated by telephone and e-mail and candidates were presented to the full Board of Directors for discussion and further action.

**Compensation of Directors**

The Company compensates non-employee directors for their service on the board of directors.

The following table sets forth information regarding the compensation paid to outside directors in 2008.

<u>Name</u>	<u>Fees</u>	<u>Stock Awards (1)</u>	<u>Option Awards (2)</u>	<u>Total Compensation</u>
Paul W. Bateman	\$ 11,500	\$15,580	\$45,000	\$ 72,080
Edward M. Gabriel	\$ 8,500	\$15,580	\$40,800	\$ 64,880
G. Thomas Gamble	\$ 13,000	\$15,580	\$90,400	\$118,980
Dr. Henry Lowenstein	\$ 10,500	\$15,580	\$90,400	\$116,480
James S. Mayer	\$ 4,500	\$15,580	\$56,250	\$ 76,330
Loren J. Miller	\$ 13,500	\$15,580	-	\$ 29,080

- (1) This column represents the dollar amount recognized for financial statement reporting purposes with respect to the 2008 fiscal year for the fair value of stock granted in 2008. Fair value is initially calculated using the closing price of our stock on the date of grant. In 2008, each director was granted shares of common stock on January 2, 2008, per share, for services rendered in 2007. The initial value of the stock granted to each director on that date was \$15,580, based on a closing market price of \$7.79 per share.
- (2) Stock option awards relate to the accounting expense for options vested in accordance with Statement of Financial Accounting Standards No. 123 (revised 2004) Share-Based Payment, which requires the expensing of equity stock awards based on the grant date of



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the option. The grant date for Mr. Mayer is August 14, 2008; Mr. Bateman is August 2, 2007; Mr. Gabriel is August 1, 2007; Mr. Gamble and Dr. Lowenstein the grant date was May 6, 2006.

Each director is compensated at the rate of \$2,000 per board meeting and \$500 for each committee meeting as of December 31, 2008.

### Security Ownership of Certain Beneficial Owners and Management

As of December 31, 2008, there were 27,438,367 shares of the Company's common stock outstanding. The following persons were known by the Company to be the beneficial owners of more than 5% of such outstanding common stock:

<u>Name and Address</u>	<u>Number of Shares</u>	<u>Percent of Total</u>
G. Thomas Gamble		
1250 Church Street	2,213,650 <sup>(1)</sup>	8.1%
St. Helena, CA 94574		

(1) Includes 80,000 shares of stock Mr. Gamble has the right to acquire upon the exercise of options.

The following table sets forth the beneficial ownership of the Company's common stock as of December 31, 2008 by each director, by each of the executive officers named in Item 11, and by the executive officer named in Item 10 and directors as a group:

<u>Directors and Executive Officers</u>	<u>Number of Shares</u> <sup>(1)</sup>	<u>Percent of Total</u> <sup>(2)</sup>
F. Lynn Blystone, Chairman, CEO and Director	1,190,203	4.3%
G. Thomas Gamble, Director	2,213,650	8.1%
Paul W. Bateman, Director	103,000	0.4%
Edward M. Gabriel, Director	102,000	0.4%
Henry Lowenstein, Ph.D., Director	104,200	0.4%
Loren J. Miller, Director	249,236	1.1%
James S. Mayer, Director	100,000	0.4%
Arthur M. Evans, CFO	105,000	0.4%
Joseph R. Kandle, President, Tri-Valley Oil and Gas Company	510,946	1.9%
James G. Bush, Vice President Exploration, Tri-Valley Oil and Gas Company	143,500	0.5%

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All Directors and Executive officers as a group (10 persons)      5,023,299      18.3%

- (1) Includes shares which the listed shareholder has the right to acquire from options as follows: F. Lynn Blystone 701,350, Arthur M. Evans 100,000, G. Thomas Gamble 80,000, Joseph R. Kandle 435,000; Dr. Henry Lowenstein 100,000, Paul W. Bateman 100,000, Edward M. Gabriel 100,000, James S. Mayer 100,000, James G. Bush 140,000.
- (2) Based on total outstanding shares of 27,438,367 as of December 31, 2008. The persons named herein have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them, subject to community property laws where applicable.

### Compensation Committee Interlocks and Insider Participation

No member of our Board's personnel and compensation committee has served as one of our officers or employees at any time. None of our executive officers serve as a member of the personnel and compensation committee or of any other company that has an executive officer or director serving as a member of our Board of Directors. None of our executive officers serve as a member of the board of directors of any other company that has an executive officer serving as a member of our Board's personnel and compensation committee.

### Executive Compensation

#### Compensation Discussion and Analysis

The core mission of Tri-Valley Corporation is *to increase the value and liquidity of Tri-Valley stock in order to build the wealth of Tri-Valley Corporation investors*. To fulfill this mission, we have developed a tightly defined business strategy. This strategy is to identify, obtain, and transform exploration projects of exceptional size and potential where exploration, discovery, and operational success may substantially grow the intrinsic value of the company and market value of its stock to investors.

Tri Valley strives to incorporate a "team" approach to its business in order to achieve strong operating and financial results. Consistent with this philosophy, Tri-Valley maintains a policy of executive compensation commensurate with long-term risk-value assumed by Tri-Valley Corporation investors and shareholders. Consequently, Tri-Valley's Chief Executive Officer compensation is structured in the form of a base cash compensation recognized to be below comparative peer corporate levels, coupled with stock options which may result in competitive to above-competitive levels at some future date, depending on the market performance of TIV's stock.

The philosophy of low base salary coupled with options has now been implemented in the recruitment of executives at the Vice President level of Tri-Valley and its subsidiary companies. This approach has proven successful in attracting key talented individuals with



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major industry experience who share the Company's long-term shareholder value philosophy and performance motivation. Given the competitive human resources market and industry within which Tri-Valley Corporation operates, equity options are now being used to secure key staff and operating personnel within the organization as a means to counterbalance lower base compensation.

### Overview of Tri-Valley Corporation Executive Compensation Program

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

F. Lynn Blystone, CEO and President, Tri-Valley Corporation

Arthur M. Evans, CFO, Tri-Valley Corporation

Joseph Kandle, President, Tri-Valley Oil & Gas

James G. Bush, President, Select Resources, Tri-Valley Corporation

Tri-Valley Corporation executive compensation program has fixed compensation elements, which comprise base salary and benefits, as well as variable compensation elements related to performance. Each compensation component is described in further detail below.

### Objectives of Tri-Valley Corporation Executive Compensation Program

Tri-Valley Corporation believes the skill and dedication of Tri-Valley Corporation executive officers and other management personnel are critical factors impacting Tri-Valley Corporation's long-term success in meeting its business objectives as well as fostering growth and profitability. Accordingly, the Personnel and Compensation Committee has designed Tri-Valley Corporation's compensation program in accordance with the company's compensation philosophy, the objectives of which are to:

motivate and retain Tri-Valley Corporation current executive officers,

attract new executives with the requisite skill sets to implement and achieve Tri-Valley Corporation business strategy, and

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

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

The Personnel and Compensation Committee reviews, monitors, evaluates and recommends Tri-Valley Corporation executive compensation policies and programs to the Corporate Board of Directors. The Committee recommends both current compensation levels and short and long term incentives for Tri-Valley Corporation executives to the Corporate Board of Directors. In order to perform its function, the Personnel and Compensation Committee relies, in part, on



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input from the Chief Executive Officer and other members of senior management in determining the needs of Tri-Valley Corporation and their perceptions of the employment market environment in which the corporation operates. Input from the human resources department of Tri-Valley Corporation is important in determining availability of talent, and, from the Chief Financial Officer, in determining appropriate resource ability of the company for compensation.

### Use of Benchmarking and Peer Company Comparisons

The Personnel and Compensation Committee strives to support an executive compensation program that is structured to provide Tri-Valley Corporation executive officers with compensation packages which are commensurate with the Corporation's size and sufficient to retain personnel considered essential. To achieve this objective, the Personnel and Compensation Committee compares all compensation components for Tri-Valley Corporation executive officers, at least annually, with data on similar positions at other organizations in Tri-Valley Corporation industry that are similar in number of employees, level of operations, gross revenue and total assets with which we compete for talent.

Tri-Valley researched comparative market data on executive compensation practices and programs (the Survey Data) based on an analysis of six (6) energy related companies that are competitors of Tri-Valley Corporation (the Peer Group). The Peer Group, reviewed annually by the Personnel and Compensation Committee, is used to benchmark executive compensation levels against companies that have executive positions with responsibilities similar in breadth and scope to Tri-Valley Corporation and have global businesses that compete with us for executive talent. With this information, the Personnel and Compensation Committee reviews and analyzes the Survey Data for each senior executive officer as well as general economic conditions and marketplace compensation trends, and recommends adjustments as appropriate.

The following six (6) companies comprised the Peer Group used for the Personnel and Compensation Committee's 2008 compensation decisions: Gasco Energy, Panhandle Oil & Gas, PrimeEnergy, CanArgo Energy, Meridian Resources and Tri-Valley Corporation and Double Eagle Petroleum. These companies were selected as peers based upon the fact that all six (6) of the peer companies are in the oil exploration and production industry, based on the availability of the data related to the company, based on the level of operational sophistication, and based on market capitalization. Tri-Valley uses the same six (6) companies in its corporate Survey Data and Peer Group for last year's 2007 Annual Report. The corporation believes that the Peer Group used for Tri-Valley Corporation compensation decisions provides a more appropriate comparison for Tri-Valley Corporation compensation program.

In addition to the Peer Group noted above, the Personnel and Compensation Committee uses nationally recognized compensation surveys to assess the broader market competitiveness of Tri-Valley Corporation executive compensation. This data is the product of published and private surveys Tri-Valley Corporation representing compensation amounts for similar positions within Tri-Valley Corporation industry. The Personnel and Compensation Committee uses data from these surveys to provide additional data against which they may compare the competitiveness of Tri-Valley Corporation executive compensation based against the broader market. Collectively, this competitive market data provides a frame of reference for the Personnel and Compensation