TRI VALLEY CORP
Form 10-K
March 29, 2010

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended December 31, 2009	Commission File No. 001-31852

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

Delaware	94-1585250
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4550 California Avenue, Suite 600, Bakersfield, California 93309
(Address of Principal Executive Offices)

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

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Common Stock, $0.001 par value	NYSE Amex, LLC

Securities Registered Pursuant to Section 12(g) of the 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 o 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 Act. Yes o Nox

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o Nox

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulations S-K (§229.405 of this chapter) 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. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.
Large accelerated filer o Accelerated filer x Non-accelerated filer o Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
Yeso Nox

As of March 22, 2010, 33,398,904 shares of common stock were outstanding.

The aggregate market value of the common shares of Tri-Valley Corporation held by non-affiliates on the last day of the registrant's most recently completed second fiscal quarter was approximately $24 million.

DOCUMENTS INCORPORATED BY REFERENCE: None

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PART I

ITEM 1. BUSINESS

Tri-Valley Corporation ("Tri-Valley", "TVC", or "the Company") is a Delaware corporation which currently conducts its operations through five wholly-owned subsidiaries. TVC's principal offices are located at 4550 California Avenue, Suite 600, Bakersfield, California 93309; telephone (661) 864-0500.

GENERAL

The Company's five subsidiaries are:

- Tri-Valley Oil & Gas Co. ("TVOG")—conducts our hydrocarbon (crude oil and natural gas) business. TVOG derives its revenue from crude oil and natural gas drilling.
- Select Resources Corporation, Inc. ("Select")—conducts our precious metals and industrial minerals business. Select holds and develops three major mineral assets in the State of Alaska.
- Great Valley Production Services, LLC ("GVPS")—conducts our oil production services, well work over services, and the business of refurbishment of oilfield equipment.
- Great Valley Drilling Company, LLC ("GVDC")—formed to operate an oil drilling rig in the State of Nevada.
- Tri-Valley Power Corporation—is inactive at the present time.

Tri-Valley's businesses are organized into four operating segments:

- Oil and Gas Operations—This segment represents our oil and gas business. Further, during 2009, this segment generated 74% of the Company's revenues from operations.
- Rig Operations—This segment consists of drilling rig operations and also includes income from the rental and sale of oil field equipment.
- Minerals—This segment represents our precious metal and industrial mineral prospects. In the past, it has generated revenues from pilot-scale mining projects and subcontracting exploration and business development projects. This segment holds title to land or leases in the State of Alaska. There was no significant precious metals activity in 2009.
- Drilling and Development—This segment includes revenue received from crude oil and natural gas drilling and development operations performed for joint venture partners.

For additional information regarding Tri-Valley's current developments and segments, please see PART II, ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION and Note 16 to the Consolidated Financial Statements.

Marketing

We sell all of our crude oil production to Santa Maria Refining Company and to Kern Oil & Refining Co.; and all of our natural gas production to DMJ Gas Marketing Consultants, LLC; and California Energy Exchange Corporation.

Executive Management Changes

Mr. Maston N. Cunningham joined the Company on January 15, 2009, as Vice President of Corporate Development. He was subsequently promoted to President and Chief Operating Officer in May 2009. In January 2010, the Company announced that Mr. Cunningham would succeed Mr. F. Lynn Blystone as Chief Executive Officer on or before March 31, 2010.

On March 5, 2010, Mr. F. Lynn Blystone retired from his positions as Chief Executive Officer and Chairman of the Board of Directors of the Company. Mr. G. Thomas Gamble, Director and Vice Chairman of the Board of Directors, was elected Chairman of the Board of Directors of the Company, replacing Mr. Blystone as Chairman; Mr. Cunningham was elected Chief Executive Officer and President of the Company, replacing Mr. Blystone as Chief Executive Officer.

On October 1, 2009, Mr. John E. Durbin joined the Company as Chief Financial Officer, succeeding Mr. Arthur M. Evans. On March 5, 2010, Mr. Durbin was elected Chief Financial Officer and Treasurer.

On October 1, 2009, Mr. Arthur M. Evans was named Chief Compliance Officer for Tri-Valley Corporation. Mr. Evans left the Company on February 25, 2010, when the Company's compliance function was outsourced to legal counsel.

COMPETITION

The crude oil and natural gas businesses are highly competitive. Competition is particularly intense to acquire desirable producing properties, to acquire crude oil and natural gas exploration prospects or properties with known reserves, suitable for enhanced development and production efforts, and to hire qualified and experienced human resources. Our competitors include the major integrated energy companies, as well as numerous independent oil and gas companies, individual proprietors, and drilling programs. Many of these competitors possess and employ financial and human resources substantially greater than ours. Our competitors may also have a superior capability for evaluating, bidding, and acquiring desirable producing properties and exploration prospects.

We also face significant competition in our precious metals and minerals business. Competition is particularly intense to acquire mineral prospects and deposits suitable for exploration and development, to acquire reserves, and to hire qualified and experienced human resources. Our competitors in mineral property exploration, acquisition, development, and production include the major mining companies in addition to numerous intermediate and junior mining companies, mineral property investors and individual proprietors.

GOVERNMENTAL REGULATION

Petroleum exploration, development, storage, and sales activities are extensively regulated at both the federal and state levels in the United States. Likewise, the same is true for the exploration, development, and operation of minerals and precious metals properties. Legislation affecting our businesses is under ongoing review for amendment or expansion, frequently increasing the related regulatory burden. Numerous departments and agencies, both federal and state, are authorized by statute to issue, and have issued, rules and regulations affecting the crude oil, natural gas, minerals, and precious metals industries. Compliance with these rules and regulations is often difficult and costly, and there are substantial penalties for noncompliance. State statutes and regulations require permits for drilling operations, drilling bonds, and reports concerning operations. Our operations are also subject to numerous laws and regulations governing plugging and abandonment, the discharge of materials into the environment, or otherwise relating to environmental protection. The heavy regulatory burden on our businesses increases the cost of doing business and, consequently, affects our profitability. Given the uncertainty of the regulatory environment, we cannot predict the

impact of governmental regulation on our financial condition or operating results.

ENVIRONMENTAL REGULATION

Our crude oil and natural gas operations are subject to risks of fire, explosions, blow-outs, pipe failure, abnormally-pressured formations, and environmental hazards such as oil spills, natural gas leaks, ruptures, or discharges of toxic gases, the occurrence of any of which could result in substantial losses due to injury or loss of life, severe damage to, or destruction of property, natural resources, and equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation and penalties, and suspension of operations. We have contracted a credentialed specialist in health, safety, environmental, and permitting functions, and, in accordance with customary

industry practice, we maintain insurance against these kinds of risks. Our insurance coverage may not cover all losses in the event of a drilling or production catastrophe.

Crude oil and natural gas operations can result in liability under federal, state, and local environmental regulations for activities involving, among other things, water pollution and hazardous waste transport, storage, and disposal. Such liability can attach not only to the operator of record of the well, but also to other parties that may be deemed to be current or prior operators or owners of the wells or the equipment involved. Numerous governmental agencies issue rules and regulations to implement and enforce such laws, which are often difficult and costly to comply with and which carry substantial administrative, civil, and criminal penalties and, in some cases, injunctive relief for failure to comply. Some laws, rules, and regulations relating to the protection of the environment may, in certain circumstances, impose "strict liability" for environmental contamination. These laws can render a person or company liable for environmental and natural resource damages, cleanup costs, and, in the case of oil spills, consequential damages without regard to negligence or fault. Other laws, rules, and regulations may require the rate of oil and gas production to be below the economically optimal rate or may even prohibit exploration or production activities in environmentally sensitive areas. In addition, these laws often require some form of remedial action, such as closure of inactive pits and plugging of abandoned wells, to prevent pollution from former or suspended operations.

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

Our precious metals and minerals exploration and property development activities in Alaska are subject to various federal and state laws and regulations governing the protection of the environment. These laws and regulations are continually changing, are generally becoming more restrictive, and have the potential to adversely affect our minerals exploration and property development activities.

EMPLOYEES

We had a total of thirty-two employees on March 26, 2010.

AVAILABLE INFORMATION

We file annual and quarterly reports, proxy statements, and other information with the Securities and Exchange Commission (“the SEC”) using the SEC's EDGAR system. The SEC maintains a website on the Internet at http://www.sec.gov that contains all of the Company’s filings. These filings may be downloaded free of charge. One may also read and/or copy any of our SEC filings in its Public Reference Room at 100 F Street, NE, Washington, DC 20549. Our common stock is listed on the NYSE Amex, LLC, under the ticker symbol “TIV”. Please contact the SEC at 1-800-SEC-0330 for further information about their Public Reference Room. Tri-Valley Corporation’s website may be accessed at http://www.tri-valleycorp.com.

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

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ITEM 1A. RISK FACTORS

You should carefully consider the following risk factors in addition to the other information included in this Annual Report on Form 10-K. Each of these risk factors could adversely affect our business, operating results, and financial condition, as well as, adversely affect the value of an investment in our common stock.

Changing global and local commodity pricing strongly impacts the Company's operating results.

Our operating results depend heavily upon our ability to market our crude oil and natural gas production at favorable prices. The factors influencing the prices of the commodities we sell are beyond our control, including changes in consumption patterns, global and local economic conditions, production disruptions, OPEC actions, and other factors that impact supply and demand for oil and gas. Lower crude oil and natural gas prices may reduce the amount of these commodities we can economically develop and produce, and, in turn, may have a material, adverse effect on the carrying value of our assets, reserves, and operating results.

Any material change in the factors and assumptions underlying our estimates of crude oil and natural gas reserves could impair the quantity and value of those reserves.

Our proved crude oil and natural gas reserves depend on estimates that include reservoir characteristics and recoverability, as well as capital and operating costs. Any changes in the factors and assumptions underlying our estimates of these items could result in a material, negative impact to the volume of reserves reported.

Unless we successfully add to our existing proved reserves, our future crude oil and natural gas production will decline, resulting in an adverse impact to our business.

The rate of production from crude oil and natural gas properties generally declines as reserves are depleted. Except to the extent that we perform successful exploration, development, or acquisition activities, or through engineering studies, identify additional or secondary recovery reserves, our proved reserves will decline as we produce crude oil and natural gas. Likewise, if we are not successful in replacing the crude oil and natural gas we produce with good prospects for future production, our business will experience reduced cash flow and results of operations. As our rates of production have been relatively low, our risk of reserve depletion is, likewise, low for the immediate future. We have a current need for development capital. Without such capital, our ability to increase production will be hindered.

Crude oil and natural gas drilling and production activities are subject to numerous mechanical and environmental risks that could reduce production.

In addition to the risk that no commercially productive crude oil or natural gas reservoirs may be found, our operations may be curtailed, delayed, or canceled. Title problems, weather conditions, compliance with governmental regulations, mechanical difficulties, and shortages or delays in the delivery of drilling rigs and other equipment may limit our ability to develop, produce, or market our reserves.

Drilling for crude oil and natural gas may result in losses, not only as a result of drilling dry wells but also from wells that are productive but produce insufficient net revenues to be profitable on a full-cost basis. Likewise, our properties may be susceptible to hydrocarbon drainage from production by other operators on adjacent properties.

Our business operating risks include, but are not limited to, the risks of fire, explosions, blow-outs, pipe failure, abnormally-pressured formations; as well as environmental hazards, such as oil spills, natural gas leaks, ruptures, or discharges of toxic gases, the occurrence of any of which could result in substantial losses. In accordance with customary industry practice, we maintain insurance against these kinds of risks, but our level of insurance may not

cover all losses in the event of a drilling or production catastrophe. Insurance is not available for all operational risks, such as risks that we will drill a dry hole, fail in an attempt to complete a well, or have problems maintaining production from existing wells.

Crude oil and natural gas operations can result in liability under federal, state, and local environmental regulations for activities involving, among other things, water pollution and hazardous waste transport, storage, and disposal. Such liability can attach to the operator of record of the well and also to other parties that may be deemed to be current or prior operators or owners of the wells or the equipment involved. Thus, environmental laws could subject us to liabilities for environmental damages even where we are not the operator who caused the environmental damage.

Future governmental and environmental regulations may increase our costs of production, impact or limit our current business plans, and reduce demand for our products.

As explained in detail in PART I, ITEM 1. GOVERNMENTAL REGULATION and in ITEM 1. ENVIRONMENTAL REGULATION, United States exploration for the production and sale of crude oil and natural gas is extensively regulated at both the federal and state levels. Our oil and gas business is subject to numerous laws and regulations relating to the protection of the environment. These laws and regulations continue to increase in both number and complexity and affect our operations. Any change in such laws, rules, regulations, or interpretations, may have a material, adverse effect on our revenues, operating income, and cash flow.

Additionally, we could be adversely affected by potential legislation that seeks to control or reduce emissions of "greenhouse gases" or use of fossil fuels, the adoption of which may increase our costs to find, develop, and produce crude oil and natural gas in the future.

Currently pending lawsuits threaten to limit potential development of a significant and valuable heavy oil project.

There are currently two legal actions pending against us that may result in the termination of leases to properties in our Pleasant Valley Project. Please see PART I, ITEM 3. LEGAL PROCEEDINGS. Drilling and production operations have not yet commenced on one of these leases, and operations on the other leases are currently suspended, pending the installation of an improved electric distribution system that is required by a local regulatory body. We believe that the leases have significant potential for development, but if the lessors are successful in terminating the oil and gas leases, our potential for future development in the Pleasant Valley Field will be significantly impaired. We are vigorously pursuing and defending these lawsuits, as we believe that we have valid claims and defenses. The litigation involves two of our three leases in the Pleasant Valley Field.

Our drilling rig operations have not had significant consistent revenue.

Although our drilling rig operations began in 2006, to date, we have not realized an economic rig utilization rate. Demand continues to be very weak, and we have idled our sole drilling rig. We have no employees devoted to this business. Future drilling rig operations may not be profitable due to the entry of new, lower-cost competitors and continued weak demand.

Our minerals business has not yet realized significant revenue and is not presently profitable.

Select Resources Corporation, Inc., was formed in late 2004 to manage our precious metals and industrial minerals properties in Alaska. The precious metal properties will require additional investment to discover and delineate sufficient mineral resources to justify any future commercial development. The calcium carbonate industrial minerals property could be returned to commercial production if sufficient purchase commitments are secured. To date, we have realized no significant revenue and cannot predict when, if ever, we may see significant returns from our precious metal and mineral investments.

The value of our minerals business depends on numerous factors not under our control.

The economic value of our minerals business may be adversely affected by changes in commodity prices for gold and calcium carbonate, increases in production and/or capital costs, and increased environmental or permitting requirements by federal and state governments. If our mineral properties commence production, our operating results and cash flow may be impaired by reductions in forecast grade or tonnage of the deposits, dilution of the mineral content of the ore, reduction in recovery rates, and a reduction in reserves, as well as unforeseen delays in the development of our projects. Finally, new competitors able to operate at lower costs may enter the industry.

The value of our minerals business may be adversely affected by risks and hazards associated with the mining industry that may not be fully covered by insurance.

Our minerals business is subject to a number of risks and hazards including, but not limited to, environmental hazards, industrial accidents, unusual or unexpected geologic formations, and unanticipated hydrologic conditions, including flooding and periodic interruptions caused by inclement or hazardous weather conditions.

We have contracted a credentialed specialist in health, safety, environmental, and permitting functions. For some of these risks, we maintain insurance to protect against these losses at levels consistent with our historical experience,

industry practice, and circumstances surrounding each identified risk. Insurance against environmental risks is generally either unavailable or, we believe, unaffordable; and, therefore, we do not maintain environmental insurance. Occurrence of events for which we are not insured may impair the value of our minerals business.

Risks Involved in Our Business Generally

Forward Looking Statements

Some of the information in this Annual Report Form 10-K contains forward-looking statements that involve substantial risks and uncertainties. You can identify these statements by forward-looking words, such as “may,” “will,” “expect,” “anticipate,” “believe,” “estimate”, and “continue,” or similar words. You should read statements that contain the words carefully because they:

- discuss our future expectations
- contain projections of our future results of operations or of our financial condition
- state other “forward-looking” information.

We believe it is important to communicate our expectations. However, there may be events in the future that we are not able to accurately predict and/or over which we have no control. The risk factors listed in this section, other risk factors about which we may not be aware, as well as, any cautionary language in this report, provide examples of risks, uncertainties, and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. You should be aware that the occurrence of the events described in these risk factors could have an adverse effect on our business, results of operations, and financial condition.

Ability to Operate as a Going Concern: If we are unable to obtain additional funding, our business will be materially impaired.

The Company remains dependent on capital formation for funding its operating and general and administrative requirements for 2010. Availability of capital is dependent on many external factors, such as the current economic climate and interest rates, among others, and may not be available to the Company when needed. Important sources for capital in the past have been investment in the TVC OPUS 1 Drilling Program, L.P. and the private placement of our restricted common stock. Although we have been successful in the past at attracting sufficient capital, we do not have certainty that additional financing will be available when needed on acceptable terms. Insufficient financing may prevent or limit us from implementing our business strategy.

Our cash balance as of December 31, 2009, was $0.3 million. Current liabilities were $12.3 million on that date. It should be noted, however, that Accounts Payable to Joint Venture Partners comprised $5.0 million of the $12.3 million in total current liabilities and were offset by $6.5 million in Accounts Receivable from Joint Venture Partners in total current assets on that date. See Note 11 to our consolidated financial statements for the years ended December 31, 2009, and 2008, for additional discussion. In light of this and other factors, our independent accountant has included a going concern qualification in its report on our financial statements for the year ended December 31, 2009, noting that our ability to continue as a going concern is dependent on additional sources of capital and the success of our business strategy. See Note 15 to our consolidated financial statements for the years ended December 31, 2009, and 2008.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

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ITEM 2. PROPERTIES

Our principal properties consist of proven and unproven crude oil and natural gas properties; mining claims on unproven precious metals properties; and a fee interest in an industrial minerals property.

OIL AND GAS

The following properties are operated by the Company and have been funded in part by the TVC OPUS 1 Drilling Program, L.P.:

Pleasant Valley: This property is located in Ventura County, California, in the Oxnard Oil Field where we are in the early stages of developing and producing heavy oil from the Upper Vaca Tar Formation. The California State Department of Oil and Gas and Geothermal Resources has published estimates that the Upper Vaca Tar has over 400 million barrels of original oil in place (OOIP), of which we and our partners control about 128 million barrels of OOIP attributable to Pleasant Valley as estimated by an independent reserves engineering firm in October 2009. During 2007, we drilled a total of seven horizontal wells and installed temporary production facilities; and in 2008, we commenced cyclic steaming operations. During 2009, production was curtailed periodically to accommodate installation of larger diameter flow lines, production manifolds, and artificial lift equipment on three of the seven wells; and to test steam injection parameters on individual wells. Smaller diameter tubing was also installed in all seven wells to achieve better steam distribution.

Our plans for 2010 include the drilling of a horizontal injector well that will be paired with an existing horizontal producing well to test Steam-Assisted-Gravity-Drainage (SAGD) technology for future deployment to fully develop and produce the Upper Vaca Tar. We also plan this year to convert a vertical well to a water disposal well to eliminate the cost of offsite water disposal once regulatory approval of our application is received.

Temblor Valley West/South Belridge Field: The South Belridge Properties are located in Kern County, California, west of Bakersfield, and include a total of 56 wells; six producing, one active injection well, and 49 idle wells. Five wells were drilled in 2007, and these wells extended the known oil-bearing formations to the west by over a half mile. Oil production on the Property comes from the Etchegoin Formation. Attempts in prior years to increase production by cyclic steaming of the Lower Diatomite Formation and a pilot waterflood of the Etchegoin Formation proved unsuccessful. We are currently evaluating other options for these Properties, including possible divestiture.

Temblor Valley East/Edison Field: This property is located in Kern County, California, east of Bakersfield and consists of the Shield and Arms Lease which includes two producing wells, one injection well, and three idle wells. The two producing wells were completed in the Olcese Formation and are produced by beam pump. We are currently evaluating other options for this Property, including possible divestiture.

Moffat Ranch: This gas field is located in the southern area of the "California Gas Country" in Madera County in central California. The gas field consists of one producing well and three idle wells. In late 2007, Tri-Valley drilled the deepest wellbore penetration in the field to below 10,000 feet to evaluate more than 14 potential producing horizons. Two of these potential gas zones were evaluated for productive potential in 2007, and one was successfully tested at over one million cubic feet per day. In 2008, attempts to restore the three idle wells to production were unsuccessful. We have plans to rework one of our idle wells in the second quarter of 2010.

Ekho: The Ekho No. 1 exploratory well, located north of Bakersfield in Kern County, California, was originally drilled by the Company to 19,088 feet in 2000 and encountered hydrocarbons in tight formations in the lower zones of the well. In 2005, we hydraulically fractured the Vedder Zone between 18,018 and 18,525 feet, injecting

approximately 5,000 barrels of fluid which carried approximately 118,000 pounds of bauxite propping material. While successful mechanically, the fracturing operation did not result in producing hydrocarbons at commercial rates from the Vedder Zone. This well still has multiple targets which can be evaluated in the future, and we will continue to look for new technologies that could allow the Vedder Zone to produce commercially.

Sunrise Natural Gas Project: This project is located just north of Bakersfield, California, in the City of Delano and consists of one vertical well and one horizontal well that were drilled by the Company in 2000 and 2003, respectively, and which encountered “tight” natural gas in the McClure Shale at approximately 8,200 feet. We believe the McClure Shale may hold up to three trillion cubic feet of natural gas in the mapped area of closure. In 2005, we hydraulically fractured 1,000 feet of the 3,000 foot horizontal portion of a well bore in the tight McClure Shale utilizing gelled diesel that carried in approximately 138,000 pounds of sand. Again, while mechanically successful like the Ekho Project, the fracturing operation did not result in the well producing hydrocarbons from the McClure Shale at commercial rates. We will continue to review all available technologies to bring the Sunrise Natural Gas Project potential to commercial realization given the volume of natural gas in place in the tight reservoir.

In addition, Tri-Valley currently operates the following properties:

Rio Vista Field: The Rio Vista Field is located in Solano County, in northern California, and we operate four producing gas wells and two idle wells on two separate leases in this field. These two separate leases are the Hanson and the Webb Tract.

Dutch Slough Field: The Dutch Slough Field is located in Contra Costa County in northern California, where we operate one producing gas well and two idle wells on the Martin-Severin Lease in this field.

Edison Field (Race Track Hill Area): The Edison Field Property is located east of Bakersfield, California, and contains seven idle wells that offset a successful cyclic steaming operation in the Santa Margarita Formation. We have obtained 29 individual well drilling permits for this property and plan to reactivate production on this lease in 2010 with cyclic steaming operations in the second quarter of the year. We also plan to drill up to 20 new wells beginning in the third quarter of 2010. This property, when fully developed, has the potential to produce approximately 3.7 million barrels of oil for Tri-Valley's interest, based upon an independent engineering report completed in January 2010.

Proved Reserves

We have retained the services of Mr. Leland B. Cecil, P.E., an independent petroleum engineer based in Bakersfield, California, and AJM Petroleum Consultants of Calgary, Alberta, Canada, to estimate the Company's net share of Proved and Prospective Reserves at December 31, 2009. Proved Reserve estimates are classified as either Developed or Undeveloped Reserves. Prospective Reserves are differentiated as Probable Reserves and Possible Reserves. The estimates were prepared according to the guidelines established by the U.S. Securities and Exchange Commission ("the SEC") and the Financial Accounting Standards Board ("FASB") for valuation of crude oil and natural gas reserves.

Proved Reserves are those quantities of crude oil and natural gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations, prior to the time at which contracts provifont>

Revenues, net of commissions	$48,537,233	$76,405,388	$101,153,633	$163,098,163
Voyage expenses	6,888,920	8,125,284	13,890,624	23,946,796
Vessel expenses	23,869,262	21,289,772	46,311,324	40,763,171
Charter hire expenses	—	11,029,811	606,573	26,954,493
Depreciation and amortization	19,427,957	17,640,372	38,861,314	34,799,216
General and administrative expenses	9,419,220	8,038,757	20,053,880	21,935,182
Total operating expenses	59,605,359	66,123,996	119,723,715	148,398,858
Operating income (loss)	(11,068,126)	10,281,392	(18,570,082)	14,699,305

Interest expense	12,053,342	11,672,428	23,014,252	23,008,907
Interest income	(8,153)	(29,464)	(16,191)	(87,134)
Other (Income) expense	(7,076)	76,706	(1,028,375)	(973,909)
Total other expense, net	12,038,113	11,719,670	21,969,686	21,947,864
Net loss	$(23,106,239)	$(1,438,278)	$(40,539,768)	$(7,248,559)
Weighted average shares outstanding* :				
Basic	15,880,392	15,642,830	15,815,594	15,641,477
Diluted	15,880,392	15,642,830	15,815,594	15,641,477
Per share amounts:				
Basic net loss	$(1.46)	$(0.09)	$(2.56)	$(0.46)
Diluted net loss	$(1.46)	$(0.09)	$(2.56)	$(0.46)

*Adjusted to give effect to the 1 for 4 reverse stock split that became effective on May 22, 2012.

Fleet Operating Data

	Three Months Ended		Six Months Ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Ownership Days	4,095	3,682	8,190	7,230
Chartered-in under operating lease Days	-	629	32	1,658
Available Days	4,081	4,290	8,175	8,847
Operating Days	4,062	4,268	8,103	8,779
Fleet Utilization	99.5%	99.5%	99.1%	99.2%

CONSOLIDATED BALANCE SHEETS

	June 30, 2012 (unaudited)		December 31, 2011	
ASSETS:				
Current assets:				
Cash and cash equivalents	$	17,148,510	$	25,075,203
Accounts receivable, net		10,250,226		13,960,777
Prepaid expenses		5,048,180		3,969,905
Inventories		12,581,899		11,083,331
Investment		227,354		988,196
Fair value above contract value of time charters acquired		557,881		567,315
Fair value of derivative instruments		—		246,110
Total current assets		45,814,050		55,890,837
Noncurrent assets:				
Vessels and vessel improvements, at cost, net of accumulated depreciation of $276,929,765 and $239,568,767, respectively		1,752,078,568		1,789,381,046
Other fixed assets, net of accumulated amortization of $420,668 and $324,691, respectively		519,683		605,519
Restricted cash		291,891		670,418
Deferred drydock costs		3,067,188		3,303,363
Deferred financing costs		28,321,603		11,766,779
Fair value above contract value of time charters acquired		2,766,769		3,041,496
Other assets		2,292,075		2,597,270
Total noncurrent assets		1,789,337,777		1,811,365,891
Total assets	$	1,835,151,827	$	1,867,256,728
LIABILITIES & STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	$	6,629,148	$	10,642,831
Accrued interest		3,067,461		2,815,665
Other accrued liabilities		17,652,035		11,822,582
Current portion of long-term debt		—		32,094,006
		4,637,875		5,966,698

Deferred revenue and fair value below contract value of time charters acquired		
Unearned charter hire revenue	4,086,738	5,779,928
Total current liabilities	36,073,257	69,121,710
Noncurrent liabilities:		
Long-term debt	1,130,186,429	1,097,384,735
Deferred revenue and fair value below contract value of time charters acquired	15,386,221	17,088,464
Fair value of derivative instruments	6,223,622	9,486,116
Total noncurrent liabilities	1,151,796,272	1,123,959,315
Total liabilities	1,187,869,529	1,193,081,025
Commitment and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value, 25,000,000 shares authorized, none issued	—	—
Common stock, $.01 par value, 100,000,000 shares authorized, 15,771,496 shares issued and outstanding*	157,715	157,508
Additional paid-in capital*	757,090,198	745,945,694
Retained earnings (net of dividends declared of $262,118,388 as of June 30, 2012 and December 31, 2011, respectively)	(103,014,254)	(62,474,486)
Accumulated other comprehensive loss	(6,951,361)	(9,453,013)
Total stockholders' equity	647,282,298	674,175,703
Total liabilities and stockholders' equity	$ 1,835,151,827	$ 1,867,256,728

*Adjusted to give effect to the 1 for 4 reverse stock split that became effective on May 22, 2012.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended	
	June 30, 2012	June 30, 2011
Cash flows from operating activities:		
Net loss	$ (40,539,768)	$ (7,248,559)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Items included in net loss not affecting cash flows:		
Depreciation	37,456,975	33,055,698
Amortization of deferred drydocking costs	1,404,339	1,743,518
Amortization of deferred financing costs	2,332,293	1,918,410
Amortization of fair value below contract value of time charter acquired	(2,434,040)	(2,566,329)
Payment-in-kind interest on debt	707,688	—
Unrealized gain from forward freight agreements, net	246,110	308,578
Allowance for accounts receivable	5,339,080	6,586,900
Non-cash compensation expense	4,881,924	4,939,137
Drydocking expenditures	(1,168,164)	(1,284,121)
Changes in operating assets and liabilities:		
Accounts receivable	(1,628,529)	(11,473,011)
Other assets	305,195	(635,571)
Prepaid expenses	(1,078,275)	931,577
Inventories	(1,498,568)	(5,339,055)
Accounts payable	(4,013,683)	2,373,987
Accrued interest	251,796	(2,339,449)
Accrued expenses	(21,678)	4,433,934
Deferred revenue	(312,865)	138,722
Unearned revenue	(1,693,190)	901,124
Net cash (used in) provided by operating activities	(1,463,360)	26,445,490
Cash flows from investing activities:		
Vessels and vessel improvements and advances for vessel construction	(58,520)	(100,369,716)
Purchase of other fixed assets	(10,141)	(198,732)
Changes in restricted cash	378,527	(1,157,481)
Net cash provided by (used in) investing activities	309,866	(101,725,929)
Cash flows from financing activities:		
Changes in restricted cash	—	(1,500,000)
Deferred financing costs	(6,773,199)	—
Cash used to settle net share equity awards	—	(1,210,177)
Net cash used in financing activities	(6,773,199)	(2,710,177)
Net decrease in cash	(7,926,693)	(77,990,616)
Cash at beginning of period	25,075,203	129,121,680
Cash at end of period	$ 17,148,510	$ 51,131,064

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The following table represents certain information about our revenue earning charters on our operating fleet as of June 30, 2012:

Vessel	Year Built	Dwt	Charter Expiration (1)		Daily Charter Hire Rate
Avocet (2)	2010	53,462	Jul 2012		Voyage(3)
Bittern (2)	2009	57,809	Jul 2012	$	11,990(3)
Canary (2)	2009	57,809	Aug 2012 to Nov 2012	$	12,000
Cardinal	2004	55,362	Nov 2012 to Feb 2013		Index(4)
Condor	2001	50,296	Jul 2012	$	7,000(3)
Crane (2)	2010	57,809	Jul 2012	$	7,000(3)
Crested Eagle	2009	55,989	Aug 2012 to Oct 2012	$	12,000(3)
Crowned Eagle	2008	55,940	Aug 2012 to Oct 2012	$	14,000
Egret Bulker	2010	57,809	Oct 2012 to Feb 2013		$17,650(5) (with 50% profit share over $20,000)
Falcon	2001	50,296	Aug 2012	$	10,550(3)
Gannet Bulker	2010	57,809	Jan 2013 to May 2013		$17,650(5) (with 50% profit share over $20,000)
Golden Eagle	2010	55,989	Jul 2012	$	7,500
Goldeneye	2002	52,421	Oct 2012 to Jan 2013		Index(4)
Grebe Bulker	2010	57,809	Feb 2013 to Jun 2013		$17,650(5) (with 50% profit share over $20,000)

Harrier	2001	50,296	Jul 2012	$	6,500(3)
Hawk I	2001	50,296	Jul 2012		Spot(3)
Ibis Bulker	2010	57,775	Mar 2013 to Jul 2013		$17,650(5) (with 50% profit share over $20,000)
Imperial Eagle	2010	55,989	Nov 2012 to Feb 2013		Index(4)
Jaeger	2004	52,248	Nov 2012 to Jan 2013		Index(4)
Jay(2)	2010	57,802	Jul 2012	$	6,750(3)
Kestrel I	2004	50,326	Jul 2012 to Aug 2012		Index(4)
Kingfisher (2)	2010	57,776	Aug 2012 to Nov 2012	$	12,500
Kite	1997	47,195	Aug 2012 to Nov 2012	$	7,250
Kittiwake	2002	53,146	Jul 2012		Spot(3)

Martin(2)	2010	57,809	Jul 2012	$	10,500(3)
Merlin	2001	50,296	Jul 2012 to Aug 2012		Voyage(3)
Nighthawk(2)	2011	57,809	Aug 2012	$	10,000(3)
Oriole(2)	2011	57,809	Jul 2012	$	12,250(3)
Osprey I	2002	50,206	Jul 2012 to Aug 2012	$	10,000(3)
Owl(2)	2011	50,809	Jul 2012		Voyage(3)
Peregrine	2001	50,913	Jul 2012	$	7,000(3)
Petrel Bulker	2011	57,809	May 2014 to Sep 2014		$17,650(5) (with 50% profit share over $20,000)
Puffin Bulker	2011	57,809	May 2014 to Sep 2014		$17,650(5) (with 50% profit share over $20,000)
Redwing	2007	53,411	Aug 2012	$	5,000(3)
Roadrunner Bulker	2011	57,809	Aug 2014 to Dec 2014		$17,650(5) (with 50% profit share over $20,000)
Sandpiper Bulker	2011	57,809	Aug 2014 to Dec 2014		$17,650(5) (with 50% profit share over $20,000)
Shrike	2003	53,343	Dec 2012 to Mar 2013	$	11,300(3)
Skua	2003	53,350	Aug 2012	$	10,500(3)
Sparrow	2000	48,225	Jul 2012	$	10,000(3)
Stellar Eagle	2009	55,989	Mar 2013 to Jun 2013		Index(4)
Tern	2003	50,200		$	10,000(3)

			Jul 2012 to Oct 2012		
Thrasher (2)	2010	53,360	Jul 2012 to Aug 2012	$	10,000(3)
Thrush	2011	53,297	Jul 2012	$	7,000(3)
Woodstar (2)	2008	53,390	Jul 2012	$	8,000(3)
Wren (2)	2008	53,349	Jul 2012	$	7,000(3)

(1) The date range provided represents the earliest and latest date on which the charterer may redeliver the vessel to the Company upon the termination of the charter. The time charter hire rates presented are gross daily charter rates before brokerage commissions, ranging from 0.625% to 6.25%, to third party ship brokers.

(2) The charter rate does not include any shortfall between the vessels' actual daily earnings and the $17,000 per day for which KLC is responsible.
Revenue from KLC will be recognized when collectability is assured. In addition, through December 2015, we are entitled to100% of the profits on earnings between $17,000 to $21,000 per day and a 50% profit share on earnings above $17,000 per day from January 2016 to December 2018.

(3) Upon conclusion of the previous charter, the vessel will commence a short-term charter for up to six months.

(4) Index, an average of the trailing Baltic Supramax Index.

(5) The charterer has an option to extend the charter by two periods of 11 to 13 months each.

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Glossary of Terms:

Ownership days: The Company defines ownership days as the aggregate number of days in a period during which each vessel in its fleet has been owned. Ownership days are an indicator of the size of the fleet over a period and affect both the amount of revenues and the amount of expenses that is recorded during a period.

Chartered-in under operating lease days: The Company defines chartered-in under operating lease days as the aggregate number of days in a period during which the Company chartered-in vessels.
Available days: The Company defines available days as the number of ownership days less the aggregate number of days that its vessels are off-hire due to vessel familiarization upon acquisition, scheduled repairs or repairs under guarantee, vessel upgrades or special surveys and the aggregate amount of time that we spend positioning our vessels. The shipping industry uses available days to measure the number of days in a period during which vessels should be capable of generating revenues.

Operating days: The Company defines operating days as the number of its available days in a period less the aggregate number of days that the vessels are off-hire due to any reason, including unforeseen circumstances. The shipping industry uses operating days to measure the aggregate number of days in a period during which vessels actually generate revenues.

Fleet utilization: The Company calculates fleet utilization by dividing the number of our operating days during a period by the number of our available days during the period. The shipping industry uses fleet utilization to measure a company's efficiency in finding suitable employment for its vessels and minimizing the amount of days that its vessels are off-hire for reasons other than scheduled repairs or repairs under guarantee, vessel upgrades, special surveys or vessel positioning. Our fleet continues to perform at very high utilization rates.

Conference Call Information

As previously announced, members of Eagle Bulk's senior management team will host a teleconference and webcast at 8:30 a.m. ET on Thursday, August 9th to discuss the results.

To participate in the teleconference, investors and analysts are invited to call 800-706-7748 in the U.S., or 617-614-3473 outside of the U.S., and reference participant code 94659453. A simultaneous webcast of the call, including a slide presentation for interested investors and others, may be accessed by visiting http://www.eagleships.com.

A replay will be available following the call until 11:59 PM ET on August 16, 2012. To access the replay, call 888-286-8010 in the U.S., or 617-801-6888 outside of the U.S., and reference passcode 55295308.

About Eagle Bulk Shipping Inc.

Eagle Bulk Shipping Inc. is a Marshall Islands corporation headquartered in New York. The Company is a leading global owner of Supramax dry bulk vessels that range in size from 50,000 to 60,000 deadweight tons and transport a broad range of major and minor bulk cargoes, including iron ore, coal, grain, cement and fertilizer, along worldwide shipping routes.

Forward-Looking Statements

Matters discussed in this release may constitute forward-looking statements. Forward-looking statements reflect our current views with respect to future events and financial performance and may include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts.

The forward-looking statements in this release are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in our records and other data available from third parties. Although Eagle Bulk Shipping Inc. believes that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control, Eagle Bulk Shipping Inc. cannot assure you that it will achieve or accomplish these expectations, beliefs or projections.

Important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the strength of world economies and currencies, general market conditions, including changes in charter hire rates and vessel values, changes in demand that may affect attitudes of time charterers to scheduled and unscheduled drydocking, changes in our vessel operating expenses, including dry-docking and insurance costs, or actions taken by regulatory authorities, potential liability from future litigation, domestic and international political conditions, potential disruption of shipping routes due to accidents and political events or acts by terrorists.

Risks and uncertainties are further described in reports filed by Eagle Bulk Shipping Inc. with the US Securities and Exchange Commission.

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Exhibit 99.2

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