

Edgar Filing: TRI VALLEY CORP - Form 10QSB

TRI VALLEY CORP
Form 10QSB
August 15, 2001

1

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

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

For the quarterly period ended June 30, 2001
0-6119

Commission File No.

TRI-VALLEY CORPORATION
(Exact name of registrant as specified in its charter)

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

5555 BUSINESS PARK SOUTH, SUITE 200, BAKERSFIELD, CALIFORNIA 93309
(Address of principal executive offices)

(661) 864-0500
(Registrant's telephone number, including area code)

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

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

TRI-VALLEY CORPORATION

INDEX

PART I - FINANCIAL INFORMATION.

Item 1. Consolidated Financial Statements.

Item 2. Management's Discussion and Analysis of Financial
Condition and Results of Operations

Edgar Filing: TRI VALLEY CORP - Form 10QSB

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Item 2. Changes in Securities.

Item 6. Exhibits and Reports on Form 8-K

SIGNATURES.

3

PART I - FINANCIAL INFORMATION

ITEM 1. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

TRI-VALLEY CORPORATION
CONSOLIDATED BALANCE SHEETS

ASSETS

	(Unaudited)	(Audited)
Current Assets		
Cash	\$ 792,501	\$ 1,373,570
Accounts receivable, trade	424,738	813,611
A/R Related Parties	1,976	4,750
Prepaid expenses.	12,029	12,029
	1,231,244	2,203,960
 Total Current Assets.	 1,231,244	 2,203,960
 Property and Equipment, Net	 1,545,341	 1,306,689
 Other Assets		
Deposits.	100,105	100,105
Note Receivable	125,000	125,000
Acquisition Costs	51,270	51,270
Investments in partnerships	29,059	29,059
Other	13,914	13,914
Well Database (net of accumulated amortization of \$48,304 at June 30, 2001 and \$44,788 at December 31, 2000.	60,346	63,862
Goodwill (net of accumulated amortization of \$216,016 at June 30, 2001 and \$210,593		

Edgar Filing: TRI VALLEY CORP - Form 10QSB

at December 31, 2000.	217,837	223,260
	-----	-----
Total Other Assets.	597,531	606,470
	-----	-----
Total Assets.	\$ 3,374,116	\$ 4,117,119
	=====	=====
June 30, 2001	Dec. 31, 2000	

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

5

LIABILITIES AND SHAREHOLDERS' EQUITY

	June 30, 2001	Dec. 31, 2000
	-----	-----
CURRENT LIABILITIES		
Notes and contracts payable.	\$ 10,554	\$ 10,672
Trade accounts payable	121,301	581,017
Amounts payable to joint venture participants	273,175	540,142
Advances from joint venture participants	2,134,824	2,517,737
	-----	-----
Total Current Liabilities.	2,539,854	3,649,568
	-----	-----
Long-term Portion of Notes and Contracts Payable.	7,790	12,038
	-----	-----
Commitments		
Shareholders' Equity		
Common stock, \$.001 par value:		
100,000,000 shares authorized;		
19,684,748 and 19,554,748 issued and outstanding at June 30, 2001 and Dec. 31, 2000, respectively.	19,684	19,555
Less: Common stock in treasury, at cost, 163,925 shares	(21,913)	(21,913)
Capital in excess of par value	8,721,059	8,666,688
Accumulated deficit.	(7,892,358)	(8,208,817)
	-----	-----

Edgar Filing: TRI VALLEY CORP - Form 10QSB

Total Shareholders' Equity	826,472	455,513
	-----	-----
Total Liabilities and Shareholders' Equity	\$ 3,374,116	\$ 4,117,119
	=====	=====

TRI-VALLEY CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

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

Edgar Filing: TRI VALLEY CORP - Form 10QSB

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

For the Six Months ----- Ended June 30, -----	2001 -----	2000 -----
Cash Flows from Operating Activities		
Net loss/profit	\$ 316,460	\$ 306,288
Adjustments to reconcile net income to net cash used from operating activities:		
Depreciation, depletion and amortization	29,732	39,722
Changes in operating capital:		
Amounts receivable	391,647	(60,210)
Deposits	-0-	(105)
Trade accounts payable	(459,834)	960,830
Amounts payable to joint venture participants and related parties	(266,967)	53,848
Advances from joint venture participants	(382,913)	(6,529,061)
	-----	-----
Net Cash Used by Operating Activities	(371,875)	(5,228,583)
	-----	-----
Cash Flows from Investing Activities		
Capital expenditures	(259,446)	(135,640)
	-----	-----
Cash Flows from Financing Activities		
Principal payments on long-term debt	(4,248)	(4,361)
Proceeds from issuance of common stock	54,500	250,600
	-----	-----
Net Cash Provided (used) by Financing Activities	50,252	246,239
	-----	-----
Net Decrease in Cash and Cash Equivalents	(581,069)	(5,117,984)
Cash and Cash Equivalents at Beginning Of Period	1,373,570	8,050,469
	-----	-----
Cash and Cash Equivalents at End of Period	\$ 792,501	\$ 2,932,485
	=====	=====
Supplemental Information:		
Cash paid for interest	\$ 2,756	\$ 7,798
Cash paid for taxes	\$ 7,779	\$ 6,678

Edgar Filing: TRI VALLEY CORP - Form 10QSB

TRI-VALLEY CORPORATION
NOTES TO CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
JUNE 30, 2001 AND 2000
(Unaudited)

NOTE 1 - BASIS OF PRESENTATION

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

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

NOTE 2 - PER SHARE COMPUTATIONS

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

12

ITEM 2. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS

OF OPERATIONS

BUSINESS REVIEW

Notice Regarding Forward-Looking Statements

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

Edgar Filing: TRI VALLEY CORP - Form 10QSB

Petroleum Activities

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

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

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

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

Precious Metals

Normally our activity, by Russian scientists from TsNIGRI, the Russian Mineral Institute in Moscow, on our Alaska gold mining claims begins in late May or early June, depending on the weather. It is very difficult if not impossible for us to perform our work when the ground is frozen. However, this year was different, the Russian scientists were contracted by Tri-Valley Corporation to a third party for most of the months of June and July to evaluate large areas of Alaska for platinum and palladium. They began this year's activity for Tri-Valley the latter part of July. Our efforts continue to obtain sufficient data to enable a joint venture with a major mining company similar to the Placer Dome arrangement, which had been operating for the previous two years and ended at the end of 2000.

ITEM 2. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS

OF OPERATIONS, CONTINUED

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

2000

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

Costs and expenses decreased \$465,348, to \$549,940 for the quarter ending June 30, 2001 from \$1,015,288 for the same period in 2000. In the quarter ending June 30, 2000 we wrote off expenses relating to the sale of the Sunrise Prospect. In 2001, the Russian scientists did not begin work for the Company

Edgar Filing: TRI VALLEY CORP - Form 10QSB

until July. However, in June 2001, we prepaid their expenses, which caused the increase in mining expenses to \$21,586 in the second quarter of 2001, compared to \$14,479 in the second quarter of 2000.

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

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

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

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

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

ITEM 2. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, CONTINUED

Capital Resources and Liquidity

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

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

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

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. CHANGES IN SECURITIES

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

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) Exhibits
- (27) Financial Data Schedule

- (b) Reports on Form 8-K:
None

SIGNATURES

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

Edgar Filing: TRI VALLEY CORP - Form 10QSB

TRI-VALLEY CORPORATION
(Registrant)

August 14, 2001 /s/ F. Lynn Blystone

F. Lynn Blystone
President and Chief Executive Officer

August 14, 2001 /s/ Thomas J. Cunningham

Thomas J. Cunningham
Secretary, Treasurer, Chief Financial Officer