

November 09, 2005

Tri-Valley's mineral resources: Mere Postulation?

Tri-Valley Corporation (AMEX: TIV, \$9.49) claims to be in the industry of mining and natural resource exploration in Alaska, California and Nevada. Tri-Valley claims to have interests in properties containing gold, oil, natural gas, basalt and calcium carbonate.

TIV's Securities and Exchange Commission ("SEC") filings show no proven oil reserves, or calcium carbonate in TIV's Form 10-K filed for the period ended on December 31, 2004. The amount of proven gold reserves listed on the TIV's most recent Form 10-K is stated as "minute amounts". The only proven reserves listed are for 742,401 Thousand Cubic Feet of natural gas ("Mcf"). The Form 10-K also states that "production from TVOG's (Tri-Valley Oil and Gas, Tri-Valley's oil and gas subsidiary) existing reserves continue to decline".

According to TIV's "Cautionary Note to US Investors" ("Note"), terms used on the website and in the press releases are barred from its SEC filings. The Note states that "only proven reserves demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions" are allowed in SEC filings.

The Note also states that terms such as "aggregate target", "quantities of oil and gas", "undiscovered reserves", "potential", "gas in place", "producible reserves", "estimated", "postulate", and "prognostic" are barred from the filings. In the Note Tri-Valley acknowledges that all of these phrases are found on the website and in press releases.

For the last few years TIV has promoted its different oil, gas, gold and calcium carbonate schemes on its website and in press releases. On May 13, 1997 a press release referring to TIV's Alaskan lands stated "We are not looking for gold because we've already found it. We are trying to assess how much there is." Yet TIV's 1997 Form 10-K listed the Alaska property as "only a prognostic resource and not a proven reserve."

In a December 4, 2004 press release TIV's claims to calcium carbonate are stated as "rights to an estimated 400 million tons of high grade calcium carbonate". No proven reserves or rights to any proven reserves of calcium carbonate are found on the Form 10-K for the period ended December 31, 2004.

TIV's oil and gas promotes are also similar. TIV began promoting its Ekho oil project on February 7, 2000. TIV's press releases listed the potential of Ekho at "an ultimate target of 4 billion barrels" of oil. Five years and 31 press releases later, and the Ekho project has yet to produce oil. According to the State of California Department of Conservation web site Ekho has produced 0 barrels of oil dating back to it's listing as an active well in March 2000.

TIV's Aurora project was also a similar scheme. A December 3, 2002 press release claimed that Aurora contained "a potential now estimated in the range of 18 million barrels of oil". On December 13th, 2002 a press release was issued titled "Tri-Valley Abandons Aurora 1-19". TIV stated that Aurora was to be abandoned and plugged ten days after its press release estimating that Aurora could yield "18 million barrels of oil."

The same schemes are also present in other TIV joint ventures. The Sonata and Sunrise joint ventures were promoted

in over 50 press releases. On September 18th, 2000 TIV stated that the Sonata Project was a "100 billion aggregate cubic foot gas project." A July 26, 2002 press release states Sonata will be "abandoned and plugged".

TIV's web site states that "Independent reservoir analysis firms have postulated 72 billion cubic feet of dry natural gas" at its Sunrise joint venture. According to TIV's Form 10-K for the year ended December 31, 2004, drilling started in December of 2000 had yet to yield any "commercial success" and a second well had been drilled and that well had "no commercial success because the sand formation is too tight to allow hydrocarbons to produce. The well will probably be used as a water disposal well."

An October 21, 2005 Wall Street Journal article highlighted the inverse relationship between TIV's oil production and issuance of press releases. "When Oil and Gas Prices Soar, So Do Hopes for Resource Plays" states that "Tri-Valley produced only 76 barrels of oil from 2002-2004, a period during which the company produced 93 press releases touting itself. It has posted losses 38 of its past 43 years." Given that track record, what besides press releases is Tri-Valley producing?

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