



TOREADOR

TOREADOR RESOURCES CORPORATION

13760 Noel Road, Suite 1100
Dallas, TX75240-1383, U.S.A.

PROSPECTUS

Published in Connection with the Admission of Toreador Resources Corporation's Common Stock to Listing and Trading on the Professional Segment of NYSE Euronext in Paris



Pursuant to Articles L. 412-1 and L. 621-8 of the *Code Monétaire et Financier* and Articles 211-1 to 216-1 of its General Regulation, the *Autorité des marchés financiers* (“AMF”) granted visa number 10-435, dated December 13, 2010, on this prospectus.

This prospectus has been prepared by the issuer and its signatory accepts the responsibility for its contents. In accordance with the provisions of Article L. 621-8-1-I of the *Code Monétaire et Financier*, the visa was granted after the AMF verified that the document was complete and comprehensible and that the information it contains was internally consistent. It does not imply that the AMF endorses the proposed transaction nor that it has validated the accounting and financial information presented herein.

Copies of this prospectus may be obtained free of charge from Toreador Resources Corporation at the address indicated above, at 9, rue Scribe, 75009 Paris, France, and from its paying agent, CACEIS Corporate Trust (Postal address: 14 rue Rouget de Lisle 92862 Issy-les-Moulineaux Cedex 9) and on the websites of Toreador Resources Corporation (www.toreador.net) and the AMF (www.amf-france.org).

NOTE TO THE PROSPECTUS

This prospectus is published solely in connection with the admission of Toreador Resources Corporation's ("Toreador") Common Stock to listing and trading on the Professional Segment of NYSE Euronext in Paris ("Euronext").

Pursuant to Article 516-19 of the AMF General Regulation, an investor other than a qualified investor, within the meaning of b) of Point 4 of II of Article L. 411-2 of the Monetary and Financial Code, may not purchase Toreador's Common Stock on the Professional Segment of Euronext unless such investor takes the initiative to do so and has been duly informed by the investment services provider about the characteristics of the segment.

This prospectus does not constitute an offer of, or an invitation by or on behalf of, Toreador to subscribe for or purchase the Common Stock. This prospectus does not constitute an offer to sell or an invitation to subscribe for or purchase any Common Stock.

Prospective investors should inform themselves as to the legal requirements and tax consequences within the countries of their residence and domicile for the acquisition, holding or disposal of securities and any foreign exchange restrictions that might be relevant to them.

The distribution of this prospectus in certain jurisdictions may be restricted by law, and therefore persons into whose possession this prospectus comes should inform themselves of and observe any such restrictions.

This prospectus, which contains material information concerning Toreador, was established pursuant to Articles 211-1 to 216-1 of the AMF General Regulation. Pursuant to Article 25 of Commission Regulation (EC) No 809/2004 of 29 April 2004 (the "Prospectus Regulation"), this prospectus is composed of the following parts in the following order:

- (1) a table of contents;
- (2) the summary provided for in Article 5(2) of Directive 2003/71/EC;
- (3) the risk factors linked to the issuer and the type of security covered by the issue; and
- (4) the cross-reference lists stipulated in Article 25.4 of the Prospectus Regulation presenting the information in the order stipulated in Annexes I and III of the Prospectus Regulation which, by application of Articles 3, 4, and 6 thereof, are required for this transaction.

This prospectus also contains in Chapter C supplemental information concerning Toreador and its business, provided at the AMF's request. For a better understanding of the summary of the prospectus in Chapter A, the reader should read the entire prospectus, including Chapter C: Supplemental Information concerning Toreador, contained on pages 24-42 and all exhibits attached hereto.

Further, the prospectus contains the following documents:

- Annual Report on Form 10-K for the fiscal year ended December 31, 2009, filed by Toreador with the U.S. Securities and Exchange Commission (the "SEC") on March 16, 2010 ("Toreador's 10-K");
- Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, filed by Toreador with the SEC on November 9, 2010 ("Toreador's 10-Q");
- Definitive Proxy Statement on Schedule 14A, filed by Toreador with the SEC on May 3, 2010 ("Toreador's Proxy Statement");

- Restated Certificate of Incorporation of Toreador and Certificate of Amendment to the Restated Certificate of Incorporation of Toreador;
- Fourth Amended and Restated Bylaws of Toreador;
- Current Reports on Form 8-K filed by Toreador with the SEC May 10, 2010 and May 13, 2010, as amended on November 3, 2010; and
- Consolidated Financial Statements of Toreador as of December 31, 2008 and December 31, 2007.

TABLE OF CONTENTS

Chapter A: Prospectus summary	8
I. GENERAL DESCRIPTION OF TOREADOR RESOURCES CORPORATION	8
1.1. Introduction.....	8
1.2. Business Strategy	10
II. INFORMATION RELATING TO ADMISSION TO LISTING AND TRADING ON EURONEXT	10
III. MAJOR SHAREHOLDERS.....	14
IV. RISK FACTORS.....	14
V. RECENT DEVELOPMENTS.....	15
VI. FINANCIAL INFORMATION CONCERNING TOREADOR RESOURCES CORPORATION FOR THE FISCAL YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007 AND THE QUARTERS ENDED SEPTEMBER 30, 2010 AND 2009.....	16
VII. DOCUMENTS ON DISPLAY	19
Chapter B: Risk factors.....	21
I. BUSINESS RISK FACTORS.....	21
II. MARKET RISK FACTORS.....	23
Chapter C: Supplemental information concerning Toreador Resources Corporation.....	25
I. RIGHTS RELATED TO THE REGISTERED SHARES.....	25
1.1. Type and the Class of the Securities Being Listed, Including the Security Identification Code	25
1.2. Legislation Under Which the Securities Have Been Created	25
1.3. Form of Securities, Name and Address of the Entity in Charge of Keeping the Records	25
1.4. Currency of the Securities Issue	26
1.5. Rights Attached to the Securities.....	26
1.6. Anti-Takeover Statutes	28
1.7. Indemnification of Directors and Officers.....	28
1.8. Transferability.....	29
1.9. Registration Number.....	29

1.10. Market Risks	29
1.11. Purpose of the Listing and Liquidity	29
1.12. Market Capitalization	29
II. STATEMENT OF CAPITALIZATION AND INDEBTEDNESS AS OF SEPTEMBER 30, 2010	30
2.1. Capitalization and Indebtedness (in thousands of U.S. Dollars) at September 30, 2010	30
2.2. Net Indebtedness (in thousands of U.S. Dollars) at September 30, 2010	31
III. DIRECTORS AND EXECUTIVE OFFICERS - STATUTORY AUDITOR.....	32
3.1. Board of Directors as of May 3, 2010.....	32
3.2. Executive Officers as of May 3, 2010	33
3.3. Statutory Auditor	33
IV. EMPLOYEES.....	33
V. ORGANIZATIONAL STRUCTURE.....	34
VI. MAJOR SHAREHOLDERS	34
VII. WORKING CAPITAL STATEMENT	34
VIII. OIL RESERVES ESTIMATES AND EXPLORATION PERMITS.....	35
8.1. General Consideration	35
8.2. Oil Reserves.....	36
8.3. Sales Volume and Revenues.....	37
8.4. Exploration Permits and Applications	38
IX. TAX CONSEQUENCES	40
9.1. Capital Gains on disposal of Toreador Common Stock.....	41
9.2. Withholding Tax	42
9.3. Other Taxes and Duties.....	43
X. DOCUMENTS ON DISPLAY	43
EXHIBITS	i
EXHIBIT I ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009, FILED BY TOREADOR WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION ON MARCH 16, 2010	i
EXHIBIT II QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2010, FILED BY TOREADOR WITH THE SEC ON NOVEMBER 9, 2010.....	ii

EXHIBIT III DEFINITIVE PROXY STATEMENT ON SCHEDULE 14A, FILED BY TOREADOR WITH THE SEC ON MAY 3, 2010.....iii

EXHIBIT IV RESTATED CERTIFICATE OF INCORPORATION OF TOREADOR AND CERTIFICATE OF AMENDMENT TO THE RESTATED CERTIFICATE OF INCORPORATION OF TOREADORiv

EXHIBIT V FOURTH AMENDED AND RESTATED BYLAWS OF TOREADOR v

EXHIBIT VI CONSOLIDATED FINANCIAL STATEMENTS OF TOREADOR AS OF DECEMBER 31, 2008 AND DECEMBER 31, 2007 vi

EXHIBIT VII CURRENT REPORTS ON FORM 8-K FILED BY TOREADOR WITH THE SEC ON MAY 10, 2010 AND MAY 13, 2010, AS AMENDED ON NOVEMBER 3, 2010..... vii

COMPANY REPRESENTATIVES FOR PROSPECTUS

- 1.1** Craig M. McKenzie, President and Chief Executive Officer of Toreador Resources Corporation and Marc Sengès, Chief Financial Officer of Toreador Resources Corporation, acting for and on behalf of Toreador Resources Corporation.
- 1.2** We each hereby declare, after taking all reasonable measures for this purpose and to the best of our knowledge, that the information contained in this prospectus is in accordance with the facts and that the prospectus makes no material omission.

/s/ Craig M. McKenzie

Craig M. McKenzie
President and Chief Executive Officer of
Toreador Resources Corporation

Paris, France, December 13, 2010

/s/ Marc Sengès

Marc Sengès
Chief Financial Officer of Toreador
Resources Corporation

Paris, France, December 13, 2010

CHAPTER A: PROSPECTUS SUMMARY

NOTE TO THE PROSPECTUS SUMMARY

VISA NUMBER 10-435 DATED DECEMBER 13, 2010 OF THE AMF

Note to the reader

This summary should be read as an introduction to the prospectus. Any decision to invest in the securities should be based on consideration of the prospectus as a whole by the investor. Where a claim relating to the information contained in a prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States of the European Community or States party to the European Economic Area Agreement, have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability attaches to the persons who presented the summary, and any translation thereof, only if the content of the summary is misleading, inaccurate or inconsistent when read with other parts of the prospectus.

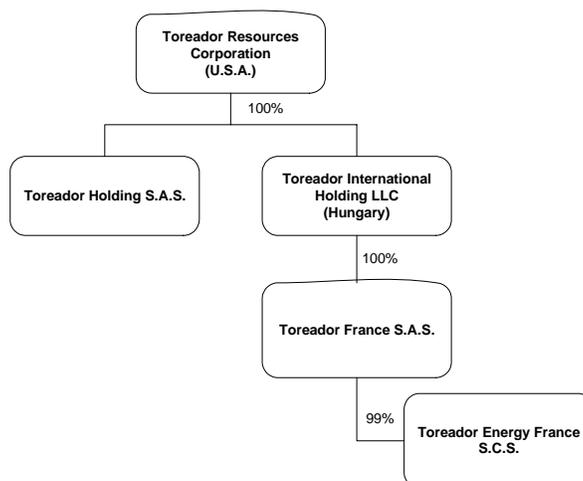
The following is a summary of some of the information contained in this prospectus. We urge you to read this entire document carefully, including the risk factors, our historical consolidated financial statements and the notes to those financial statements. Unless the context requires otherwise, references in this prospectus to the “Company,” “we,” “us,” “our” and “Toreador” are to Toreador Resources Corporation, a Delaware corporation, and its subsidiaries collectively.

I. GENERAL DESCRIPTION OF TOREADOR RESOURCES CORPORATION

1.1. Introduction

Toreador is an independent energy company engaged in the exploration and production of crude oil with interests in developed and undeveloped oil properties in the Paris Basin, France. We are currently focused on the development of our conventional fields and the exploitation of the prospective shale oil play within our Paris Basin acreage position.

The current legal structure of Toreador is as follows:



* Toreador Energy France is a French *société en commandite simple* whose (i) general partner is Toreador France (686,158 general partnership interests) and (ii) limited partner is Toreador International Holding (2 limited partnership interests).

** Toreador Exploration Ltd. (Cayman Islands) and Toreador Romania Ltd. (Cayman Islands) (both 100% held by Toreador) are dormant companies under liquidation process, which shall be completed in the first quarter of 2011.

*** Toreador International Holding LLC is a holding company the purpose of which was to own, in addition to Toreador France, the assets located in Hungary, Romania and Turkey, which were disposed of in 2009 (see Section 1.2 below).

We currently operate solely in the Paris Basin, which covers approximately 170,000 km² of northeastern France, centered 50 to 100 km east and south of Paris. At October 31, 2010, we held interests in approximately 800,000 gross exploration acres. According to Gaffney, Cline & Associates Ltd, an independent petroleum and geological engineering firm (“Gaffney Cline”), as of December 31, 2009, our proved reserves were 5.8 Mmdbl¹, our proved plus probable reserves were 9.1 Mmdbl and our proved plus probable plus possible reserves were 14.3 Mmdbl. Our production for 2009 averaged approximately 900 bbl² per day from two conventional oilfield areas in the Paris Basin — the Neocomian Complex (“Neocomian Complex”) and Charmottes (“Charmottes”) fields (for more information concerning the Neocomian Complex and Charmottes, please refer to page 9 of the 10-K). As of October 31, 2010, production from these oil fields represented substantially all of our revenue. We intend to maintain production from these mature assets using suitable enhanced oil recovery techniques. In addition to this production base, we have identified several additional conventional exploration targets. We received well results on the La Garenne, the first of these targets, in January 2010. The well confirmed a five-meter reservoir within a 50-meter oil column in the target Dogger formation, but low permeability in the vicinity of the wellbore. A decision regarding whether or not to drill a horizontal appraisal well and to develop the reservoir will be made in the first quarter of 2011.

On May 10, 2010, Toreador Energy France S.C.S. (“TEF”), a company organized under the laws of France and an indirect subsidiary of the Company, entered into an Investment Agreement (the “Investment Agreement”) with Hess Oil France S.A.S. (“Hess”), a company organized under the laws of France and a wholly owned subsidiary of Hess Corporation, a Delaware corporation, pursuant to which (x) Hess may become a 50% holder of TEF’s working interests in its awarded and pending exploration permits in the Paris Basin (the “Permits”) and (y) (1) Hess made a \$15 million upfront payment to TEF, (2) Hess has the right to invest up to \$120 million in fulfillment of a two-phase work program (the “Work Program”) and (3) TEF would be entitled to receive up to a \$130 million of success fees comprised of (x) a success fee based on proved developed oil reserves up to a maximum of \$80 million and (y) a success fee if oil production exceeds an agreed threshold, up to a maximum of \$50 million, each of which is subject to reduction under certain circumstances. For a further description of such agreement, please see Exhibit II. In addition, a copy of this agreement is set forth in Exhibit VII Part 1.

We are also currently focused on exploiting our shale oil acreage in the Paris Basin and more generally developing our French business. Our current priority is to execute with our strategic partner, Hess, a proof of concept program by drilling, completing and testing six or more unconventional exploration wells, it being specified that the first four related permit applications have been approved by the French authorities. On November 10, 2010, Hess executed an agreement for the provision of drilling and related services for the initial six firm wells targeting the Liassic shale oil source rock system.

¹ “Mmdbl” meaning one million bbl (as defined below).

² “bbl” meaning stock tank barrel.

The first well in the series, which is forecast to be spud in January 2011, will be located on the Chateau Thierry exploration permit. The well will be drilled vertically to an expected total depth of 3,000 meters. The primary geologic target of the well is the Liassic section, the top of which is expected to be encountered at an approximate depth of 2,300 meters. Conventional cores will be taken throughout the Liassic section to evaluate reservoir and rock properties.

Hess and Toreador have approved a joint venture budget for 2011, which totals \$56 million in firm spending (which will be funded out of Hess's commitments under the terms of the Investment Agreement) and a possible additional \$20 million of discretionary spending that will be decided at a later date between Hess and Toreador.

1.2. Business Strategy

The primary components of our strategy are:

- *Focus on France.* All of our oil assets are currently located in France, having disposed of our interests in Turkey, Romania and Hungary in 2009. We believe we can leverage our substantial acreage position and our experience and industry relationships in France to grow the Company.
- *Capture, develop and accelerate conventional prospects.* We have identified a number of conventional oil prospects, which we intend to evaluate for potential development, beginning with La Garenne.
- *Target the prospective unconventional oil resource play.* We are currently working with Hess on our proof of concept program and potential development of our Paris Basin shale oil acreage position.
- *Seize the opportunities for external growth.* We continue to evaluate and, where appropriate, intend to pursue acquisition opportunities on terms we consider favorable. In particular, we consider acquisitions of businesses or interests that will complement and allow us to expand our activities. However, currently, we have no binding commitments related to any acquisitions.
- *Continue to focus on operational costs.* Since the beginning of 2009, we have improved operational efficiencies, and we continue to focus on maintaining efficient operations.
- *Seek and maintain optimal capital structure.* We intend to maintain a conservative capital structure over time.

II. INFORMATION RELATING TO ADMISSION TO LISTING AND TRADING ON EURONEXT

Issuer Toreador Resources Corporation, a Delaware corporation, with its principal executive offices at 9, rue Scribe, 75009 Paris, France and its registered office at 1209 Orange Street, Wilmington, County of New Castle, Delaware 19801, U.S.A.

Stock Exchange Listing Our Common Stock is listed on the NASDAQ Global Market ("NASDAQ") under the symbol "TRGL".

We have applied for admission to listing and trading on the Professional Segment of Euronext of 25,828,705 shares of common stock (as of November 9, 2010) (the "Existing Common Stock") as well as the shares that would result from (i) the conversion of the 8.00%/7.00% Convertible Senior Notes (as defined below), *i.e.*,

3,101,077 shares as of November 9, 2010 and (ii) the exercise of stock options, *i.e.*, 62,370 shares as of September 30, 2010 (together the “Common Stock”).

On December 13, 2010, Euronext approved our application for listing and trading of our Common Stock on Euronext. Our Common Stock will be listed under the symbol “TOR”.

The Euronext listing is intended to promote additional liquidity for all investors and provide greater access to Toreador’s Common Stock among European fund managers who may be required to invest in Euro-zone markets or currencies only. Such Euronext listing in Paris is in keeping with our focus on exploiting our shale oil acreage in the Paris Basin and more generally developing our French business.

Transfer Agent and Registrar for Shares	American Stock Transfer & Trust Company.
Paying Agent	CACEIS Corporate Trust (Postal address: 14 rue Rouget de Lisle 92862 Issy-les-Moulineaux Cedex 9).
Securities Identification Code	CUSIP number :891050106. ISIN : U.S.8910501068.
Authorized Capital	50,000,000 shares of Common Stock, \$0.15625 par value per share and 4,000,000 shares of preferred stock, \$1.00 par value per share (the “Preferred Stock”). As of November 9, 2010, 25,828,705 shares outstanding of our Common Stock. There are currently no shares of Preferred Stock outstanding.
Authorized but Unissued Capital Stock	Delaware law does not require stockholder approval for any issuance of authorized shares. See “Voting Rights” on page 26 of this prospectus. However, the NASDAQ rules require stockholder approval of certain issuances of common stock or securities convertible into or exchangeable for common stock equal to 20% or more of the common stock or voting power outstanding prior to such issuance. The NASDAQ rules do not set out any specific time limit in which the 20% threshold is determined. Accordingly, subject to the above limitations, Toreador’s board of directors (the “Board”) may issue up to a maximum of 21,007,848 shares of Common Stock at a price equal to or higher than the par value of \$0.15625 per share without authorization from the stockholders. No other price restrictions apply. Any issue of Common Stock would give rise to a registration statement under the SEC rules, absent any available exemption such as certain issuances of Common Stock solely to qualified institutional buyers. The Company has equity compensation plans under which Common Stock may be provided to directors or employees of the Company. The Company’s obligations in this respect may be satisfied either by Common Stock held in treasury or by newly issued Common Stock. There were, as of November 9, 2010, 1,339,421 shares of Common Stock available for issuance under Toreador’s equity compensation plans by virtue of awards that may be granted in the future under such plans and, as of September 30, 2010, 62,370 Common Stock options previously granted and not yet exercised. For more information regarding these equity compensation plan awards, see pages F-30 – F-32 of Exhibit I (Note 11. Stock Compensation Plans) and pages

21-25 of the Proxy Statement (from “Grants of Plan Based Awards” up to “Option Exercises and Stock Vested in 2009”).

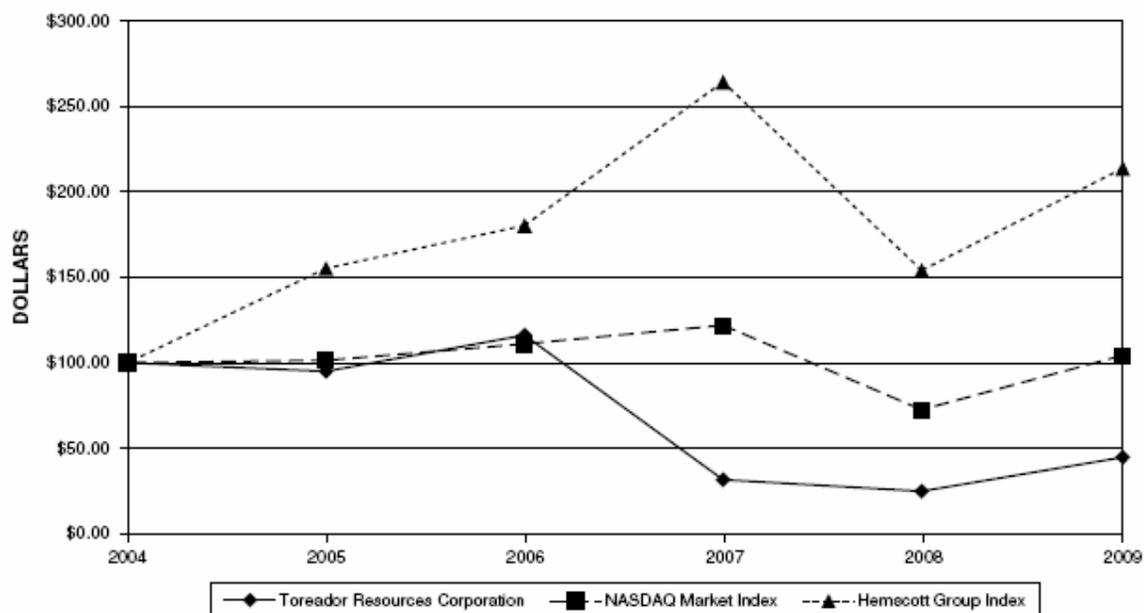
A shareholder who currently holds 1% of the share capital of Toreador would, upon conversion of all the 8.00%/7.00% Convertible Senior Notes and issuance of all the shares to be issued upon exercise of the stock options, hold 0.89% of the share capital.

Dividend Policy	Dividends on our Common Stock may be declared and paid out of funds legally available when and as determined by our Board of Directors. Our Board of Directors plans to continue our policy of holding and investing corporate funds on a conservative basis, retaining earnings to finance the growth of our business. Therefore, we do not anticipate paying cash dividends on our Common Stock in the foreseeable future. No dividends were paid in 2008, 2009 and 2010 to date.
First Paris Trading Date	Trading (continuous trading) in the Existing Common Stock on the Professional Segment of Euronext to start on December 17, 2010.
Use of Proceeds	We will not receive any proceeds from the admission to listing and trading of the Existing Common Stock on Euronext.
Currency of Trading	Trading of our Common Stock on Euronext will be in Euros.
Settlement	Settlement of any transactions on Euronext is expected to occur through the book-entry facilities of Euroclear France.
Liquidity	<p>At this time, Toreador does not intend to enter into any agreement with a liquidity provider in connection with the listing of its Common Stock on Euronext. However, Toreador reserves the right to enter into such an agreement in the future, subject to compliance with applicable legislation in France and the U.S.</p> <p>Until such time that an agreement is entered into with a liquidity provider (if ever), liquidity in the Common Stock will result initially from execution on Euronext of sell orders in respect of Common Stock currently traded on the NASDAQ and future trading in the Common Stock on Euronext with settlement through Euroclear France.</p>
Market Capitalization for the US and French Markets	Based on 25,828,705 shares of Common Stock issued and outstanding as of November 9, 2010 (excluding the 721,027 shares of Common Stock held in treasury), and the closing price of the Common Stock on the NASDAQ on November 9, 2010 of \$14.36, Toreador had a market capitalization on the NASDAQ of approximately \$360,546,256, which, based on the exchange rate on November 9, 2010 (\$1 = EUR 0.7265), corresponds to approximately EUR 261,936,855.

Common Share Price Performance

	<u>High</u>	<u>Low</u>	<u>Traded Volume</u> <u>(million of</u> <u>shares)</u>	<u>Traded Value</u> <u>(million \$)</u>
2010:				
Third quarter	\$11.56	\$5.34	14.70	116.65
Second quarter	9.84	5.31	25.95	187.86
First quarter	13.69	7.02	35.27	353.17
2009:				
Fourth quarter	\$11.58	\$7.60	21.50	191.87
Third quarter	10.79	4.50	7.97	60.19
Second quarter	7.26	2.39	4.31	23.45
First quarter	4.74	1.96	3.49	10.60
2008:				
Fourth quarter	\$9.67	\$2.84	4.52	25.32
Third quarter	10.15	6.45	7.20	57.38
Second quarter	10.49	7.40	9.10	78.78
First quarter	10.58	6.15	7.70	66.77

Performance Graph



ASSUMES \$100 INVESTED IN JAN. 01, 2005
 ASSUMES DIVIDEND REINVESTED
 FISCAL YEAR ENDING DEC. 31, 2009

III. MAJOR SHAREHOLDERS

The following table sets forth information with respect to beneficial ownership of Common Stock as of December 6, 2010 by each person who was known by Toredor to "beneficially own" (as determined in accordance with SEC rules) 5% or more of the Common Stock (as reflected in reports filed by such persons with the SEC on Schedule 13D or Schedule 13G, as applicable). The percentages below are based on 25,828,705 shares of Common Stock outstanding (including 721,027 shares of treasury stocks) as of December 6, 2010.

Toredor Common Stock Beneficially Owned		
	Number of Shares	Percent of Class
Palo Alto Investors, LLC 470 University Avenue Palo Alto, CA94301	1,906,000(6)	7.38%(6)
Samana Capital LP 35 Ocean Reef Drive Suite 142 Key Largo, Florida 33037	1,450,000(8)	5.61%(8)
David M. Brewer and Joseph E. Griesedieck, III c/o The Madison Group 590 Madison Avenue, 21st Floor New York, NY 10022	1,373,761(4)	5.32%(4)
Zazove Associates, LLC 4801 West Petetson Suite 615 Chicago, IL 60646	3,101,077(7)	10.72%(7)

(4), (6), (7), see footnotes (4), (6), (7) on page 30 and 31 of the Proxy Statement.

(8)Samana Capital, L.P. is the direct owner of 1,450,000 shares. Each of Morton Holdings, Inc., the general partner of Samana Capital, L.P., and Philip B. Korsant may be deemed to beneficially own such shares.

IV. RISK FACTORS

Set forth below and in Chapter B - Risk Factors in this prospectus are summaries of certain of the risks, uncertainties and other factors that may affect our future results. The full description of these and other risk factors is included on pages 19-32 and page 67-69 of Toredor's 10-K attached as Exhibit I to this prospectus. The risk factors summarized below should be read in conjunction with the other risk factors and forward-looking statements in Toredor's 10-K.

- We may not be able to maintain or renew our existing exploration permits or exploitation concessions or obtain new ones, which could reduce our proved reserves.
- Our financial success depends on our ability to replace our reserves in the future.
- The loss of the current single purchaser of our oil production could have a material adverse effect on our financial condition and results of operations.

- A decline in oil prices will have an adverse impact on our operations (particularly in higher cost unconventional exploration) and economic conditions are highly uncertain.
- Any disruption in production, development or our ability to produce and sell oil in France would have a material adverse effect on our results of operations or reduce future revenues.
- Exploration activities in the Paris Basin expose us to extensive regulations (including environmental).
- Reserve estimates depend on many assumptions that may turn out to be inaccurate.

V. RECENT DEVELOPMENTS

5.1. Liquidity recent developments

In 2009, following the disposal of our assets in Turkey and Romania, we repaid and retired our \$30 million principal revolving credit facility with International Finance Corporation. In 2008 and 2009, the Company repurchased \$6 million and \$25.7 million, respectively, of its 5.00% Convertible Senior Notes due 2025 (the “5.00% Notes”) on the open market. In addition, on February 1, 2010, the Company consummated an exchange transaction, in which it issued \$31,631,000 aggregate principal amount of new 8.00%/7.00% Convertible Senior Notes due 2025 (the “8.00%/7.00% Notes”) in exchange for \$22,231,000 principal amount of the 5.00% Notes and \$9.4 million cash. Following the repurchase of \$32,256,000 aggregate principal amount of the 5.00% Notes on October 1, 2010 and the redemption of the remaining \$129,000 principal amount outstanding of the 5.00% Notes on November 24, 2010, our sole long-term debt currently consists of the 8.00%/7.00% Notes. For further information, please see Exhibit II.

5.2. Recent financial results

On November 9, 2010, Toreador reported third-quarter results and nine-month results from January 1, 2010 to September 30, 2010.

Diluted loss per share for the nine-month period expired on September 30, 2010 decreased to \$(0.15) per diluted share, compared to diluted loss of \$(1.00) per share for the nine-month period expired on September 30, 2009. Sales and other operating revenue for the nine months ended September 30, 2010 was \$17.5 million, as compared to \$13.1 million for the nine months ended September 30, 2009. This increase is primarily due to the global increase in oil prices at which we sell our oil from an average of \$51.93 per barrel in the nine months ended September 30, 2009 to an average of \$74.81 per barrel in the nine months ended September 30, 2010.

Other income for the nine months ended September 30, 2010 was \$15.6 million, which represented (i) the \$15 million upfront payment received from Hess on June 10, 2010 under the Investment Agreement and (ii) \$560,000 invoiced to Hess under the terms of the Investment Agreement for all personal general and administrative costs associated with its activities as operator of the exploration permits in the Paris Basin, compared to \$121,000 recorded for the same period of 2009 related to the sale of a royalty interest in producing properties located in Canada. For further information, please see Exhibit II.

VI. FINANCIAL INFORMATION CONCERNING TOREADOR RESOURCES CORPORATION FOR THE FISCAL YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007 AND THE QUARTERS ENDED SEPTEMBER 30, 2010 AND 2009

The consolidated financial statements of Toreador set out in this prospectus have been prepared in accordance with U.S. GAAP, as authorized by the decision of the European Commission of December 12, 2008.

The following selected financial data of Toreador have been derived from the historical consolidated financial statements referred to below and should be read in conjunction with such consolidated financial statements and the notes included therein.

The reader's attention is called to Toreador's consolidated financial statements attached as Exhibit I and Exhibit VI.

The following select condensed consolidated statements of income data for the quarters ended September 30, 2010, and September 30, 2009, and condensed consolidated balance sheet data at September 30, 2010, are derived from Toreador's condensed consolidated unaudited financial statements contained on pages 1-48 of Toreador's 10-Q attached as Exhibit II.

SELECTED THREE YEAR FINANCIAL DATA
(In thousands, except per share data)

	Years Ended December 31,		
	2009	2008	2007
(Amounts in thousands, except per share amounts)			
Operating Results:			
Revenues	\$19,236	\$34,150	\$25,907
Costs and expenses.....	(35,415)	(32,586)	(29,473)
Operating income (loss)	(16,179)	1,564	(3,566)
Other income (expense).....	397	(3,082)	(2,384)
Income (loss) from continuing operations before income tax.....	(15,782)	(1,518)	(5,950)
Income tax benefit (provision)	450	(5,502)	1,402
Income (loss) from continuing operations, net of tax	(15,332)	(7,020)	(4,548)
Income (loss) from discontinued operations, net of tax	(10,080)	(101,585)	(69,873)
Dividends on preferred shares.....	—	—	(162)
Income (loss) available to common shares.....	(25,412)	(108,605)	(74,583)
Basic income (loss) available to common shares per share.....	(1.24)	(5.48)	(4.07)
Diluted income (loss) available to common shares per share.....	(1.24)	(5.48)	(4.07)
Weighted average shares outstanding			
Basic	20,564	19,831	18,358
Diluted	20,564	19,831	18,358
Balance Sheet Data:			
Working capital	\$(30,193)	\$73,286	\$203,591
Oil and natural gas properties, net.....	74,621	72,753	80,983

Oil and natural gas properties held for sale, net	—	91,959	190,968
Total assets	97,155	207,156	323,111
Debt, including current portion	54,616	110,275	116,250
Stockholders' equity	6,137	52,560	163,825
Cash Flow Data:			
Net cash provided by (used in) operating activities ..	\$(7,345)	\$16,766	\$(12,434)
Capital expenditures for oil and natural gas property and equipment, including acquisitions ...	3,386	(770)(1)	3,824
Capital expenditures for oil and natural gas property and equipment held for sale	4,528	11,472	86,820

(1) Due to overaccrual in 2007.

SELECTED QUARTERLY FINANCIAL DATA
(In thousands, except per share data - Unaudited)

Statements of Income

	Quarter Ended		Nine Months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
Operating Results:				
Revenues and other income.....	\$6,563	\$5,204	\$33,020	\$13,217
Operating costs and expenses.....	5,928	7,012	20,174	24,351
Operating income (loss)	635	(1,808)	12,846	(11,134)
Other income (expense).....	(3,905)	(365)	(9,958)	1,668
Income (loss) before taxes from continuing operations.....	(3,270)	(2,173)	2,888	(9,466)
Income tax (benefit) provision	(666)	(232)	5,683	(1,002)
Loss from continuing operations, net of income taxes	(2,604)	(1,941)	(2,795)	(8,464)
Loss from discontinued operations, net of income taxes	(290)	(10,518)	(1,113)	(11,988)
Net loss available to common shares	(2,894)	(12,459)	(3,908)	(20,452)

Basic loss available to common shares per share ...	(0,12)	(0,59)	(0,17)	(1)
Diluted loss available to common shares per share.....	(0,11)	(0,59)	(0,15)	(1)
Weighted average shares outstanding				
Basic	24,660	20,869	24,393	20,428
Diluted	25,917	20,869	25,811	20,428

	<u>September 30, 2010</u>	<u>December 31, 2009</u>
Balance Sheet Data:		
Oil and natural gas properties, net.....	\$65,876	\$74,621
Total assets	132,278	97,155
Total liabilities.....	101,064	91,018
Stockholders' equity.....	31,214	6,137

	Nine Months Ended	
	<u>September 30,</u>	
Cash Flow Data:	<u>2010</u>	<u>2009</u>
Net cash provided by (used in) operating activities.....	\$7,787	\$(11,166)
Additions to property and equipment.....	(298)	(4,521)

VII. DOCUMENTS ON DISPLAY

As a public company, we regularly file reports and proxy statements with the SEC. These reports are required by the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and include, but are not limited to:

- annual reports on Form 10-K;
- quarterly reports on Form 10-Q;
- current reports on Form 8-K;
- proxy statements on Schedule 14A; and
- any amendments to those reports.

As of the date of this prospectus, no material changes to the information contained in Exhibits I to III to this prospectus have occurred except as otherwise included in this prospectus.

The SEC maintains an Internet site at www.sec.gov that contains the reports, proxy and information statements, and other information that we file electronically.

We make available free of charge access to our SEC filings as soon as reasonably practicable after such materials are electronically filed with or furnished to the SEC through our website at www.toreador.net. Other reports filed with the SEC under the Exchange Act, are also available including the proxy statements and reports filed by officers and directors under Section 16(a) of that Act. These reports may be found on our website by selecting the option entitled "SEC Filings" under the "Investor Relations" section of the website. The reference to our website address does not constitute incorporation by reference of the information contained on our website and should not be considered part of this prospectus.

Copies of the above referenced information will also be made available, free of charge, by calling + 1 214 559 3933 or upon written request to:

Toreador Resources Corporation
Investor Relations
13760 Noel Road, Suite 1100
Dallas, TX75240-1383, U.S.A.

or

Toreador Holding S.A.S
9, rue Scribe
75009 Paris, France

CHAPTER B: RISK FACTORS

I. BUSINESS RISK FACTORS

Set forth below are summaries of the risks, uncertainties and other factors that may affect our future business and results. The full description of these risk factors is included on pages 19-32 (Risk Factors), pages 67-68 (Quantitative and Qualitative Disclosure About Market Risk) and pages 68-69 (Controls and Procedures) of the 10-K.

Risks Related to Our Company

- We may require additional capital in the future, which may not be available on favorable terms, if at all.
- We may not be able to maintain or renew our existing exploration permits or exploitation concessions or obtain new ones, which could reduce our proved reserves.
- Our indebtedness could materially adversely affect our financial health, limit our ability to finance capital expenditures and future acquisitions and prevent us from executing our business plan.
- We have incurred net losses in recent years, and there can be no assurance we will be profitable in the future.
- Our financial success depends on our ability to replace our reserves in the future.
- Since we do not hold title to our properties but rather hold exploration permits and exploitation concessions granted to us by the French government, the SEC may require that a portion of reported proved reserves associated with these permits not be included in our proved reserves.
- The loss of the current single purchaser of our oil production could have a material adverse effect on our financial condition and results of operations.
- Hedging activities may require us to make significant payments that are not offset by sales of production and may prevent us from benefiting from increases in oil prices.
- We depend on our senior management team and other key personnel. Accordingly, the loss of any of these individuals could adversely affect our business, financial condition and results of operations and future growth.
- It may not be possible to serve process on our directors and officers or enforce judgments against them or us.
- Our operations are in France and we have previously operated in other international jurisdictions and we are subject to political, economic and legal risks and other uncertainties.
- All of our revenues are currently attributable to our properties in the Paris Basin in France.
- Any disruption in production, development or our ability to produce and sell oil in France would have a material adverse effect on our results of operations or reduce future revenues.
- Our operations are subject to currency fluctuation risks.
- We have identified a material weakness in our internal control over financial reporting.

- Failure to maintain effective internal controls could have a material adverse effect on our operations and our stock price.
- In connection with the sales of our assets in Turkey in 2009, we granted certain significant indemnities to the purchasers of those assets (please see pages F-32 and F-33 of the 10-K and pages 16 and 17 of the 10-Q for further details).
- We face certain litigation risks, and unfavorable results of legal proceedings could have a material adverse effect on us. Except for the proceedings described in pages 32 and 33 of the 10-K and pages 16 and 17 of the 10-Q, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Toreador is aware), which may have or have had during the last 12 months a material impact on Toreador Resources Corporation's financial position or Toreador Resources Corporation's profitability or on those of Toreador's group as a whole.
- Acquisition prospects may be difficult to assess and may pose additional risks to our operations.

Risks Related to Our Industry

- A decline in oil prices will have an adverse impact on our operations, and economic conditions are highly uncertain.
- Competition in the oil and natural gas industry is intense, and many of our competitors have greater financial, technological and other resources than we do.
- The unavailability or high cost of drilling rigs, equipment, supplies, insurance, personnel and oil field services could adversely affect our ability to execute our exploration and development plans on a timely basis and within our budget.
- We are subject to complex laws and regulations that could adversely affect the cost, manner or feasibility of conducting our operations.
- Our business exposes us to liability and extensive environmental regulation.
- Terrorist activities may adversely affect our business.
- We face numerous risks in finding commercially productive oil reservoirs, including delays in our drilling operations as a result of factors that are beyond our control and that may not be covered by insurance.
- Reserve estimates depend on many assumptions that may turn out to be inaccurate.
- You should not assume that the present value of our proved reserves is the current market value of our estimated oil reserves.

Risks Related to Our Common Stock

- Our stock's public trading price has been volatile, which may depress the trading price of our Common Stock.
- We do not intend to pay cash dividends on our Common Stock in the foreseeable future.
- We may issue equity securities, including upon conversion of existing securities, that may depress the trading price of our Common Stock and may dilute the interests of our existing stockholders.

- Provisions in the indentures for our convertible senior notes and our charter and Delaware law could discourage an acquisition of us by a third party, even if the acquisition would be favorable to holders of our Common Stock.
- The personal liability of our directors for monetary damages for breach of their fiduciary duty of care is limited by the Delaware General Corporation Law and by our certificate of incorporation.
- We have the ability to issue “blank check” preferred stock, which, if issued, could affect the rights of holders of our Common Stock.

II. MARKET RISK FACTORS

The risks inherent in our market-sensitive instruments are the potential loss arising from adverse changes in oil prices and foreign currency exchange rates as discussed below. The sensitivity analysis however, neither considers the effects that such adverse changes may have on overall economic activity nor does it consider additional actions we may take to mitigate our exposure to such changes. Actual results may differ.

The following quantitative and qualitative information is provided about financial instruments from which we may incur future earnings gains or losses from changes in commodity prices. We do not designate our derivatives as hedges; however, we do not enter into derivative or other financial instruments for trading purposes.

Oil Prices

We market our oil production primarily on a spot market basis. As a result, our earnings could be affected by changes in oil prices, regulatory matters or demand for oil. As market conditions dictate, from time to time we will lock in future oil prices using various hedging techniques. We do not use such financial instruments for trading purposes, and we are not a party to any leveraged derivatives.

Foreign Currency Exchange Rates

The functional currency of our French operations is the Euro. While our oil sales are calculated on a U.S. dollar basis, we are exposed to the risk that the values of our French assets will decrease and that the amounts of our French liabilities will increase.

Derivative Financial Instruments

At times we utilize commodity derivative instruments as part of our risk management program. These transactions are generally structured as either swaps or collar contracts. A swap has the effect of an outright sale at a specific price. A collar has the effect of creating a sale only if a floor or ceiling price is exceeded. These instruments (i) reduce the effect of the price fluctuations of the commodities we produce and sell and (ii) support our annual capital budgeting and expenditure plans. When we had our senior credit facilities that required these instruments, these instruments protected the amounts required for servicing outstanding debt and maximized the funds available under these facilities. The trading party that represents the other side of each of these transactions is known as a “counterparty.”

Currently we have the following derivative outstanding.

<u>Type</u>	<u>Period</u>	<u>Barrels</u>	<u>Floor</u>	<u>Ceiling</u>
Collar	January 1 — December 31, 2010	182,500 (per year)	\$68.00	\$81.00
Collar	January 1 — December 31, 2011	500 (per day)	\$78.00	\$91.00

See Note 2 (Significant Accounting Policies) of Notes to Consolidated Financial Statements set forth pages F-8 to F-15 of the 10-K for a description of our accounting policies followed relative to derivative financial instruments and for specific information regarding the terms of our derivative financial instruments that are sensitive to changes in crude oil commodity prices.

CHAPTER C: SUPPLEMENTAL INFORMATION CONCERNING TOREADOR RESOURCES CORPORATION

I. RIGHTS RELATED TO THE REGISTERED SHARES

1.1. Type and the Class of the Securities Being Listed, Including the Security Identification Code

Our authorized capital stock consists of 50,000,000 shares of Common Stock, \$0.15625 par value per share, and 4,000,000 shares of Preferred Stock, \$1.00 par value per share.

As of November 9, 2010, 25,828,705 shares of Common Stock were issued and outstanding (of which 721,027 were held in treasury), 3,101,077 reserved for issuance in connection with the Company's 8.00%/7.00% Convertible Senior Notes Due 2025 and, as of September 30, 2010, there were 62,370 shares of Common Stock reserved for issuance in connection with stock options issued pursuant to the Company's equity compensation plan as discussed below. As of November 9, 2010, 21,007,848 shares of Common Stock were available for issuance. No shares of Preferred Stock are currently issued and outstanding.

The Common Stock is listed on the NASDAQ under the symbol "TRGL." The CUSIP number assigned to the Common Stock is 891050106. The ISIN is U.S.8910501068.

We have applied for admission to listing and trading on the Professional Segment of Euronext of 25,828,705 shares of Common Stock as well as the shares that would result from (i) the conversion of the 8.00%/7.00% Convertible Senior Notes (as defined below), *i.e.*, 3,101,077 shares as of November 9, 2010 and (ii) the exercise of stock options, *i.e.*, 62,370 shares as of September 30, 2010.

The Company has equity compensation plans under which Common Stock may be provided to directors or employees of the Company. The Company's obligations in this respect may be satisfied either by Common Stock held in treasury or by newly issued Common Stock. As of November 9, 2010, there were 1,339,421 shares of Common Stock available for issuance under Toreador's equity compensation plans by virtue of awards that may be granted in the future under such plans and, as of September 30, 2010, there were 62,370 Common Stock options previously granted and not yet exercised. For more information regarding these equity compensation plan awards, see pages F-30 – F-32 of Exhibit I (Note 11. Stock Compensation Plans) and pages 21-25 of the Proxy Statement (from "Grants of Plan Based Awards" up to "Option Exercises and Stock Vested in 2009").

A shareholder who currently holds 1% of the share capital of Toreador would, upon conversion of all the 8.00%/7.00% Convertible Senior Notes and issuance of all the shares to be issued upon exercise of the stock options, hold 0.89% of the share capital.

1.2. Legislation Under Which the Securities Have Been Created

Our Existing Common Stock was created under the Delaware General Corporation Law ("DGCL").

1.3. Form of Securities, Name and Address of the Entity in Charge of Keeping the Records

In general, stockholders may hold Common Stock either in certificated or street name form. The transfer agent and registrar for the Common Stock is American Stock Transfer & Trust Company ("ASTTC").

ASTTC can be contacted through the web at www.amstock.com, by telephone at 800-937-5449, by email at info@amstock.com, or by mail at: 59 Maiden Lane, Plaza Level, New York, New York 10038, U.S.A. ASTTC's international direct dial number is +1 718-921-8124.

Toreador's paying agent in France is CACEIS Corporate Trust (Postal address: 14 rue Rouget de Lisle 92862 Issy-les-Moulineaux Cedex 9).

1.4. Currency of the Securities Issue

Trading of our Common Stock on Euronext will be in Euros.

1.5. Rights Attached to the Securities

Dividend Rights. Dividends on Common Stock may be paid at such times and in such amounts as Toreador's Board (the "Board") shall determine. Entitlement to dividends is subject to the provisions of law and the rights of the holders of any other class of securities that Toreador may have outstanding in the future. In the event of dissolution, liquidation or winding up of Toreador, holders of Common Stock are entitled to share in any assets of Toreador remaining after satisfaction in full of its liabilities and satisfaction of such dividend and liquidation preferences as may be possessed by the holders of other classes of securities that Toreador has or may have outstanding in the future.

Voting Rights. Each holder of Common Stock is entitled to one vote for each share of Common Stock on all matters on which stockholders are generally entitled to vote.

At any meeting of stockholders, one-third of all the shares entitled to vote on a matter, represented by stockholders present in person or by proxy, shall constitute a quorum. If a quorum is not present at any meeting of stockholders, the stockholders present in person or by proxy may adjourn the meeting from time to time (see Section 2.7 of Toreador's bylaws).

If a quorum exists, directors are elected by the affirmative vote of a plurality of the outstanding shares of capital stock present in person or represented by proxy and entitled to vote, and action on any other matter is approved by the affirmative vote of the holders of at least a majority of the outstanding shares of capital stock present in person or represented by proxy at the meeting and entitled to vote on the proposal, unless the question is one upon which an express provision of the DGCL, or of the certificate of incorporation or bylaws of Toreador requires a different vote. There are currently no contrary provisions in the certificate of incorporation or bylaws of Toreador.

Meetings of the Stockholders. Under Toreador's bylaws, an annual meeting of stockholders shall be held at 10:00 AM on the third Thursday in May of each year if not a legal holiday, and if a legal holiday, then on the next secular day, or at such other date and time as shall be designated from time to time by the Board and stated in the notice of the meeting, at which time the stockholders shall elect a Board and transact such other business as may properly be brought before the meeting. Special meetings of the stockholders may be called by the Board, by the chairman of the Board, the chief executive officer, the president, or persons who hold not less than twenty-five percent of all outstanding shares (see Section 2.2 of the Toreador bylaws). Annual or special meetings of stockholders may be held at any place, within or without of the State of Delaware, designated by the Board.

Board of Directors; Removal; Vacancies. Delaware law provides that the board of directors of a Delaware corporation shall consist of one or more individuals. The number of directors shall be fixed by, or in the manner provided in, the bylaws, unless the certificate of incorporation fixes the number of directors, in which case a change in the number of directors shall be made only by amendment of the certificate.

Toreador's certificate of incorporation provides that the number of directors constituting the Board shall be fixed by, or in the manner provided in, the bylaws, provided that there shall not be less than one director. Toreador's bylaws provide that the Board shall consist of not less than six directors and not more than fifteen directors and the number of directors which shall constitute the whole Board shall from time to time be fixed by resolution adopted by the Board.

Under Toreador's bylaws, and in accordance with Delaware law, a director can be removed for or without cause upon the affirmative vote of the holders of a majority of the outstanding shares of each class of capital stock present in person or represented by proxy and entitled to vote on the matter.

Toreador's bylaws provide that any newly created directorship or vacancy occurring on its Board may be filled by the majority of the directors remaining in office or by the affirmative vote of the holders of a majority of the outstanding shares of each class of capital stock present in person or represented by proxy and entitled to vote on the matter.

Amendments to Certificate of Incorporation and Bylaws. Pursuant to Section 242 of the DGCL, a corporation may amend its certificate of incorporation, from time to time, in any and as many respects as may be desired, so long as its certificate of incorporation as amended would contain only such provisions as it would be lawful and proper to insert in the original certificate of incorporation filed at the time of the filing of the amendment; and, if a change in stock or the rights of stockholders, or an exchange, reclassification, subdivision, combination or cancellation of stock or rights of stockholders is to be made, such provisions as may be necessary to effect such change, exchange, reclassification, subdivision, combination or cancellation. In particular, and without limitation upon such general power of amendment, a corporation may amend its certificate of incorporation, from time to time, so as:

- (1) To change its corporate name; or
- (2) To change, substitute, enlarge or diminish the nature of its business or its corporate powers and purposes; or
- (3) To increase or decrease its authorized capital stock or to reclassify the same, by changing the number, par value, designations, preferences, or relative, participating, optional, or other special rights of the shares, or the qualifications, limitations or restrictions of such rights, or by changing shares with par value into shares without par value, or shares without par value into shares with par value either with or without increasing or decreasing the number of shares, or by subdividing or combining the outstanding shares of any class or series of a class of shares into a greater or lesser number of outstanding shares; or
- (4) To cancel or otherwise affect the right of the holders of the shares of any class to receive dividends which have accrued but have not been declared; or
- (5) To create new classes of stock having rights and preferences either prior and superior or subordinate and inferior to the stock of any class then authorized, whether issued or unissued; or
- (6) To change the period of its duration.

Any or all such changes or alterations may be effected by filing a certificate of amendment with the Delaware Department of State.

In order to effect an amendment to the certificate of incorporation, the board of directors must adopt a resolution setting forth the proposed amendment and such proposed amendment must receive the affirmative vote of a majority of the outstanding stock of each class entitled to vote thereon.

Pursuant to Section 10.14 of Toreador's bylaws, the Board may, upon the affirmative vote of a majority of directors, adopt, amend, alter and repeal bylaws (subject to the right of the stockholders entitled to vote thereon to adopt, amend, alter and repeal bylaws made by the Board or to make new bylaws).

Right to Receive Liquidation Distributions. Upon Toreador's liquidation, dissolution or winding-up,

holders of Common Stock are entitled to share in any assets of Toreador remaining after satisfaction in full of its liabilities and satisfaction of such dividend and liquidation preferences as may be possessed by the holders of other classes of securities that Toreador has or may have outstanding in the future.

Preemptive, Redemptive and Conversion Provisions. No shares of Common Stock have any preemptive rights, are subject to redemption or have the benefit of any sinking fund.

1.6. Anti-Takeover Statutes

Delaware law contains a provision governing business combinations with interested stockholders. Pursuant to Section 203 of the DGCL, a Delaware corporation may not, with certain exceptions, engage in any of a broad range of business combinations, such as mergers, consolidations and sales of assets, with an “interested stockholder,” as defined below, for a period of three years from the date that such person became an interested stockholder unless:

- the transaction that results in a person’s becoming an interested stockholder or the business combination is approved by the board of directors of the corporation before the person becomes an interested stockholder;
- upon consummation of the transaction that results in the stockholder becoming an interested stockholder, the interested stockholder owns 85% or more of the voting stock of the corporation outstanding at the time the transaction commenced, excluding shares owned by persons who are directors and also officers and shares owned by certain employee stock plans; or
- on or after the time the person becomes an interested stockholder, the business combination is approved by the corporation’s board of directors and by holders of at least two thirds of the corporation’s outstanding voting stock, excluding shares owned by the interested stockholder, at a meeting of stockholders.

Under Section 203 of the DGCL, an “interested stockholder” is defined as any person, other than the corporation and any direct or indirect majority-owned subsidiary, that is:

- the owner of 15% or more of the outstanding voting stock of the corporation; or
- an affiliate or associate of the corporation and was the owner of 15% or more of the outstanding voting stock of the corporation at any time within the three-year period immediately prior to the date on which it is sought to be determined whether such person is an interested stockholder.

Under certain circumstances, Section 203 of the DGCL makes it more difficult for a person who would be an interested stockholder to effect various business combinations with a corporation for a three-year period, although the stockholders may elect to exclude a corporation from the restrictions imposed thereunder.

1.7. Indemnification of Directors and Officers

Delaware law permits us, and Toreador's bylaws require it to the fullest extent permitted by Delaware law, to indemnify our officers and directors in connection with certain actions, suits and proceedings brought against them by reason of the fact that such person is a director or officer if they acted in good faith and believed their conduct to be in our best interests and, in the case of criminal actions, had no reasonable cause to believe that the conduct was unlawful. In accordance with Delaware law, to the extent any such person has been successful in defending the merits of any such proceeding, we shall indemnify such person for all expenses actually and reasonably incurred in connection with such proceeding. Pursuant to the DGCL, Toreador may pay expenses in connection with any proceeding in advance of a final disposition provided the corporation receives an undertaking from the applicable

director or officer to repay all amounts if it is finally determined that such director or officer is not entitled to indemnification. The rights to indemnification and advancement of expenses provided under Delaware law shall not be deemed exclusive of any other rights directors and officers may be entitled to under Toreador's certificate of incorporation, bylaws or by separate agreement.

1.8. Transferability

The Common Stock is registered under the Exchange Act and the currently outstanding shares are freely transferable. EACH HOLDER OF SHARES OF COMMON STOCK ASSUMES THE RISK OF ANY MARKET FLUCTUATIONS IN THE PRICE OF THE SHARES OF COMMON STOCK.

1.9. Registration Number

Toreador's United States Internal Revenue Service Employer Identification Number is 75-0991164. Toreador's registration number with the Secretary of the State of Delaware is 0448603.

1.10. Market Risks

Toreador is subject to a variety of market risks, including risks related to adverse changes in oil prices and foreign currency exchange rates. For a description of these market risks, please see pages 22-23 (II. Market Risk Factors) in Chapter B above.

1.11. Purpose of the Listing and Liquidity

The Euronext listing is intended to attract investors based outside of the United States, particularly in Europe and to promote additional liquidity for all investors and provide greater access to Toreador's Common Stock among European fund managers who may be required to invest in Euro-zone markets or currencies only. Such Euronext listing in Paris is in keeping with our focus on exploiting our shale oil acreage in the Paris Basin and more generally developing our French business.

1.12. Market Capitalization

Based on 25,828,705 shares of Common Stock issued and outstanding as of November 9, 2010 (excluding the 721,027 shares of Common Stock held in treasury), and the closing price of the Common Stock on the NASDAQ on November 9, 2010 of \$14.36, Toreador had a market capitalization on the NASDAQ of approximately \$360,546,256, which, based on the exchange rate on November 9, 2010 (\$1 = EUR 0.7265), corresponds to approximately EUR 261,936,855.

Please find below information concerning the Common Stock price performance and dividends, and stockholder return performance:

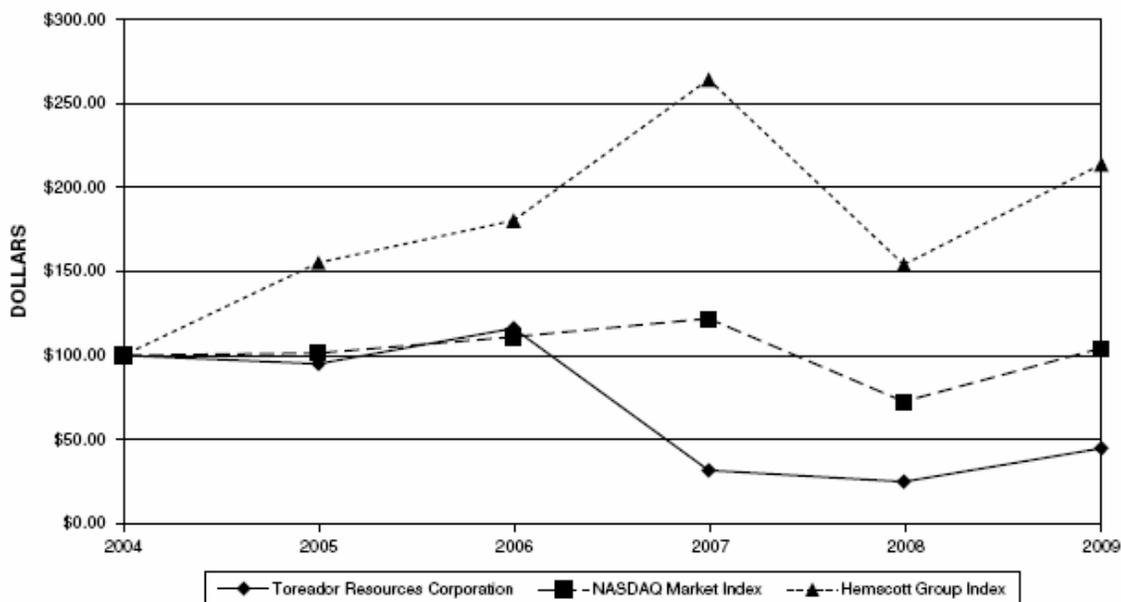
Common Share Price Performance

	<u>High</u>	<u>Low</u>	<u>Traded Volume</u> <u>(million of</u> <u>shares)</u>	<u>Traded Value</u> <u>(million \$)</u>
2010:				
Third quarter	\$11.56	\$5.34	14.70	116.65
Second quarter	9.84	5.31	25.95	187.86
First quarter	13.69	7.02	35.27	353.17
2009:				

Fourth quarter	\$11.58	\$7.60	21.50	191.87
Third quarter	10.79	4.50	7.97	60.19
Second quarter	7.26	2.39	4.31	23.45
First quarter	4.74	1.96	3.49	10.60
2008:				
Fourth quarter	\$9.67	\$2.84	4.52	25.32
Third quarter	10.15	6.45	7.20	57.38
Second quarter	10.49	7.40	9.10	78.78
First quarter	10.58	6.15	7.70	66.77

Toreador did not declare or pay any cash dividends on Common Stock in 2008, 2009 or 2010 to date.

Performance Graph



II. STATEMENT OF CAPITALIZATION AND INDEBTEDNESS AS OF SEPTEMBER 30, 2010

The tables below are derived from Toreador's unaudited condensed consolidated financial statements.

2.1. Capitalization and Indebtedness (in thousands of U.S. Dollars) at September 30, 2010

Total current debt	\$32,385
- Guaranteed	0
- Secured	0
- Unguaranteed and Unsecured	32,385

Total non-current debt (excluding current portion of long-term debt)	\$34,716
- Guaranteed	0
- Secured	0
- Unguaranteed and Unsecured	34,716
Stockholders' equity	\$31,214
a. Common Stock and paid-in capital	
Common Stock	4,036
Additional paid-in capital	198,458
b. Legal reserve	0
c. Total other reserves	(171,280)
- Accumulated other comprehensive income, net of tax	11,748
- Retained earnings (accumulated deficit)	(180,494)
- Treasury stock	(2,534)
Total stockholders' equity	\$31,214
- Total Toreador Resources Corporation stockholders' equity	31,214
- Non-controlling interests	0

2.2. Net Indebtedness (in thousands of U.S. Dollars) at September 30, 2010

A.+B.	Cash and cash equivalents	\$	53,550
C.	Short-term investments		0
D.	Liquidity (A) + (B) + (C)	\$	53,550
E.	Current financial receivable		0
F.	Current bank debt	\$	0
G.	Current portion of non-current debt		32,385
H.	Other current financial debt		0
I.	Other financial debt (F) + (G) + (H)	\$	32,385
J.	Net current financial indebtedness (I) – (E) – (D)	\$	(21,165)
K.	Non-current bank loans		0
L.	Bonds issued		34,716
M.	Other non-current loans		0

N.	Non-current financial indebtedness (K) + (L) + (M)	\$	34,716
O.	Net financial indebtedness (J) + (N)	\$	13,551

For information relating to Toreador's indirect and contingent indebtedness, the reader's attention is called to Note 12. Commitments and Contingencies in Toreador's 10-K and to Note 11. Commitments and Contingencies in Toreador's 10-Q.

Each holder of the 5.00% Notes had an option to require Toreador to purchase all or a portion of its 5.00% Notes on October 1, 2010. Pursuant to the exercise of this option, Toreador repurchased \$32,256,000 principal amount of the 5.00% Notes on October 1, 2010. Toreador redeemed the \$129,000 principal aggregate amount of the 5.00% Notes outstanding on November 24, 2010. Please see Note 19. Subsequent Events in Toreador's 10-Q.

III. DIRECTORS AND EXECUTIVE OFFICERS - STATUTORY AUDITOR

3.1. Board of Directors as of May 3, 2010

<u>Name</u>	<u>Age</u>	<u>Director Since</u>	<u>Address</u>	<u>Other functions</u>
Julien Balkany	29	January 2009	9, rue Scribe 75009 Paris	Managing member and Chief Investment Officer of Nanes Balkany Partners LLC Managing Director and Foreign Associate at Nanes Delorme Capital Management LLC Chairman of the Advisory Board of Stellar Energy Ltd.
Bernard de Combret	67	September 2009	9, rue Scribe 75009 Paris	Non-executive Chairman of Coastal Energy Company Non-executive director of Petrofac Ltd and Winstar Resources Ltd. Member of the International Advisory Board of Banco Santander Member of the Advisory Board of Reech AiM Partners LLP
Peter J. Hill	62	January 2009	9, rue Scribe 75009 Paris	President and CEO of Triangle Petroleum Corporation since November 2009
Adam Kroloff	48	June 2009	9, rue Scribe 75009 Paris	Vice President (strategic projects) of BP plc
Craig M. McKenzie	46	March 2009	9, rue Scribe 75009 Paris	President and Chief Executive Officer of Toreador Resources Corp.
Ian Vann	61	June 2009	9, rue Scribe	Non-executive director of Serica

			75009 Paris	Energy PLC Director of Spectraseis AG
Herbert C. Williamson III	61	January 2006	9, rue Scribe 75009 Paris	-

3.2. Executive Officers as of May 3, 2010

<u>Name</u>	<u>Age</u>	<u>Position</u>
Craig M. McKenzie	46	President and Chief Executive Officer
Marc Sengès	43	Chief Financial Officer

Except as disclosed below, for at least the previous five years, none of the directors or executive officers of Toreador has:

- (a) been convicted in relation to fraudulent offenses;
- (b) been associated with any bankruptcies, receiverships or liquidations when acting in their capacity as directors or executive officers of Toreador; or
- (c) been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

Craig McKenzie served as the Chief Executive Officer and Director of Canadian Superior Energy, Inc. from October 2007 to December 2008. On March 5, 2009, Canadian Superior Energy, Inc. filed a voluntary petition for bankruptcy protection under the Company's Creditors Arrangement Act (Canada) in the Court of Queen's Bench of Alberta; the company emerged from bankruptcy protection in September 2009.

There are no family relationships among any of the executive officers and directors listed above.

3.3. Statutory Auditor

Ernst & Young Audit, 41, rue Ybry - 92576 Neuilly-sur-Seine Cedex, represented by Philippe Diu, was appointed as statutory auditor of Toreador in May, 2010.

IV. EMPLOYEES

The below chart sets forth historical information regarding the approximate number of Toreador's employees:

<u>Fiscal Year</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Total	35 ³	81 ⁴	95 ⁵

³ As of March 12, 2010.

⁴ As of March 10, 2009.

V. ORGANIZATIONAL STRUCTURE

Toreador is the parent company of a number of significant operating subsidiaries and other associated companies. Toreador holds, directly or indirectly, 100% of the capital and voting rights of each of the significant subsidiaries listed in Exhibit 21 to Toreador's 10-K.

VI. MAJOR SHAREHOLDERS

The following table sets forth information with respect to beneficial ownership of Common Stock as of December 6, 2010 by each person who was known by Toreador to "beneficially own" (as determined in accordance with SEC rules) 5% or more of the Common Stock (as reflected in reports filed by such persons with the SEC on Schedule 13D or Schedule 13G, as applicable). The percentages below are based on 25,828,705 shares of Common Stock outstanding (including 721,027 shares of treasury stocks) as of December 6, 2010.

Toreador Common Stock Beneficially Owned		
	Number of Shares	Percent of Class
Palo Alto Investors, LLC 470 University Avenue Palo Alto, CA94301	1,906,000(6)	7.38%(6)
Samana Capital LP 35 Ocean Reef Drive Suite 142 Key Largo, Florida 33037	1,450,000(8)	5.61%(8)
David M. Brewer and Joseph E. Griesedieck, III c/o The Madison Group 590 Madison Avenue, 21st Floor New York, NY 10022	1,373,761(4)	5.32%(4)
Zazove Associates, LLC 4801 West Petetson Suite 615 Chicago, IL 60646	3,101,077(7)	10.72%(7)

(4), (6), (7), see footnotes (4), (6), (7) on page 30 and 31 of the Proxy Statement.

(8)Samana Capital, L.P. is the direct owner of 1,450,000 shares. Each of Morton Holdings, Inc., the general partner of Samana Capital, L.P., and Philip B. Korsant may be deemed to beneficially own such shares.

To the knowledge of Toreador, there is no controlling shareholder of Toreador and no shareholders agreement has been entered into between Toreador's shareholders.

VII. WORKING CAPITAL STATEMENT

As of the date of this prospectus, Toreador believes that cash, cash equivalents, short-term investments and cash generated from operations will be sufficient to meet its operating requirements for at least the

⁵ As of March 12, 2008.

next twelve months, including working capital requirements and capital expenditures.

VIII. OIL RESERVES ESTIMATES AND EXPLORATION PERMITS

8.1. General Consideration

Our Properties in France

Pursuant to French mining law, we do not hold title to any of our properties; we hold interests in permits or concessions granted by French governmental authorities granting us the right to explore and develop oil properties in France. We currently hold interests in approximately 800,000 gross exploration acres in the Paris Basin, and we have applied for approximately 880,000 additional gross acres. Our conventional exploration and production operations consist primarily of our existing producing fields, development of the La Garenne field and the development of additional identified targets. Our unconventional exploration operations consist primarily of the exploration of the prospective shale oil play within our Paris Basin acreage position.

Exploration Permits

Under French mining law, an exploration permit gives the holder an exclusive right to explore and then produce hydrocarbons. Any area, offshore and onshore, which is not covered yet by such a permit may be subject to application at any time. An application for a permit, or a renewal of a permit, is awarded by ministerial order following an administrative consultation and a submission to the regulatory authorities. An exploration permit is initially granted for a period of up to five years and may be renewed twice for up to five years each time; however, the area covered by the permit is reduced by half at the first renewal and by a quarter of the remaining area at the second renewal. The permit holder may designate the areas to remain after such reduction, and in any event, the area covered by a permit may not be reduced below 175 km². The exploration permits have minimum financial requirements, and if such obligations are not met, the permits could be subject to forfeiture. The renewal of a permit is generally granted, provided the holder has met all its obligations thereunder and has agreed to certain future financial commitments at least equal to the financial commitments made during the previous permit period.

Exploitation Permits

Under French mining law, hydrocarbons may only be developed once a concession has been granted. During the exploration permit period, the permit holder has the exclusive right to obtain an exploitation concession. An exploitation concession is granted by decree, after a public enquiry, a local administrative consultation and a submission to the regulatory authorities. The decree sets forth the concession's perimeter and duration, which cannot exceed 50 years. To be awarded an exploitation concession, the applicant must, among other things, prove that it has the appropriate technical and financial capabilities to perform the operations and comply with regulations. An exploitation concession may be extended several times, each time for no longer than 25 years. An application for a renewal must be submitted two years before the expiration of the concession. The French government is not obligated to renew an exploitation concession, and such renewal would be subject to our satisfaction of technical and financial capability requirements.

Proved Reserves Disclosures

As we are registered under the Exchange Act, our reserves are calculated in accordance with the applicable oil and gas company reserves reporting requirements. We adopted these rules effective December 31, 2009 and requested Gaffney Cline to provide us with a third-party opinion on our two producing assets, the Charmottes field and the Neocomian Complexes (for further details, please refer to pages 12 and 13 of the 10-K).

Proved Reserves

Proved reserves are the estimated quantities of oil and 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 providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation.

Probable Reserves

Probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered. When deterministic methods are used, it is as likely as not that actual remaining quantities recovered will exceed the sum of estimated proved plus probable reserves. When probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the proved plus probable reserves estimates. Probable reserves may be assigned to areas of a reservoir adjacent to proved reserves where data control or interpretations of available data are less certain, even if the interpreted reservoir continuity of structure or productivity does not meet the reasonable certainty criterion. Probable reserves may be assigned to areas that are structurally higher than the proved area if these areas are in communication with the proved reservoir. Probable reserves estimates also include potential incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than assumed for proved reserves.

Possible Reserves

Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. When deterministic methods are used, the total quantities ultimately recovered from a project have a low probability of exceeding proved plus probable plus possible reserves. When probabilistic methods are used, there should be at least a 10% probability that the total quantities ultimately recovered will equal or exceed the proved plus probable plus possible reserves estimates. Possible reserves may be assigned to areas of a reservoir adjacent to probable reserves where data control and interpretations of available data are progressively less certain. Frequently, this will be in areas where geoscience and engineering data are unable to define clearly the area and vertical limits of commercial production from the reservoir by a defined project. Possible reserves also include incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than the recovery quantities assumed for probable reserves.

8.2. Oil Reserves

The general characteristics of oil reserves are set out below. Please refer to pages 4 *et seq.* of the 10-K for more information on these reserves.

Reserves estimates

Our reserves estimates were prepared in accordance with SEC rules and reviewed by Gaffney Cline. On February 1, 2010, we announced that according to Gaffney Cline, our total proved reserves as of

December 31, 2009 were 5.8 Mmbbl, an increase of 18% from 2008 year-end reserves of 4.9 Mmbbl. As of December 31, 2009, our proved plus probable reserves were 9.1 Mmbbl and our proved plus probable plus possible reserves were 14.3 Mmbbl. We attribute the increase in proved reserves to better performance of the Company's main field, the Neocomian Complex, as well as an increase in the oil price used to calculate reserves for 2009, including as a result of new SEC rules requiring the use of 12-month average oil prices for 2009 as opposed to the year-end pricing for 2008. All reserves booked are reserves from our conventional reservoirs only.

All of our reserves are located in France. The following table summarizes our reserves as of December 31, 2009.

At December 31, 2009

Property	Permit Expiration Year	Total Proved Reserves (mmbbl)	Post-Expiration Proved Reserves (mmbbl)	Percent of Proved Reserves Post-Expiration
Neocomian Fields	2011*	5,418	5,153	95.11%
Charmottes Field	2013	387	348	89.92%

* The "Conseil Général de l'Industrie, de l'Energie et des Technologies" approved the renewal of these concessions on October 11th, 2010. The draft decree granting the renewal is currently under review by the Conseil d'Etat (i.e. the French administrative Supreme Court).

The following table sets forth the split between proved, probable and possible reserves.

Field	Proved Developed (Mmbbl)	Proved Undeveloped (Mmbbl)	Total Proved (Mmbbl)	Proved + probable (Mmbbl)	Proved + probable ± possible (Mmbbl)
Neocomian Complex	5.0	0.4	5.4	8.2	13.2
Charmottes Triassic	0.1	-	0.1	0.3	0.4
Charmottes Dogger	0.3	-	0.3	0.6	0.8
Total	5.4	0.4	5.8	9.1	14.3

8.3. Sales Volume and Revenues

The following table summarizes our oil production, net of royalties, for the periods indicated for France. It also summarizes calculations of our total average unit sales prices and unit costs.

	For the Year Ended December 31,		
	2009	2008	2007
Production:			

Oil (bbl)	328,416	365,361	383,341
Daily average (bbl/Day)	900	1,001	1,050
Unit prices:			
Average oil price (\$/bbl)	\$57.17	\$93.32	\$67.49
Unit costs (\$/BOE):			
Lease operating	\$25.57	\$25.35	\$19.16
Exploration and acquisition	—	0.39	2.23
Depreciation, depletion and amortization	16.66	12.83	10.79
Dry hole costs	—	—	10.01
General and administrative	11.25	3.54	7.39
Total	\$53.48	\$42.11	\$49.58

8.4. Exploration Permits and Applications

The table below summarizes the acreage covered by the exploration permits we currently hold or for which we have applied. For a more detailed description of each permit, concession or application, please refer to pages 4 *et seq.* of the 10-K.

<u>Permit Name</u>	<u>Working Interest*</u>	<u>Type</u>	<u>Expiration Date</u>	<u>Gross Acreage</u>
Courtenay	50%	Exploration	October 1, 2013	76,276
Aufferville	50%	Exploration	June 16, 2010(1)	33,095
Nemours	25%	Exploration	June 16, 2012	46,992
Rigny le Ferron	50%	Exploration	February 20, 2011	82,748
Joigny	50%	Exploration	February 20, 2011	33,152
Mairy	25%	Exploration	August 15, 2011	109,705
Nogent sur Seine	50%	Exploration	August 8, 2012	65,727
Château Thierry	50%	Exploration	October 24, 2014	192,468
Leudon en Brie	50%	Exploration	August 8, 2012	26,740
Champrose(2)	40%	Exploration	October 21, 2015	113,396
			Total Exploration	780,299
Nangis	-	Application		26,966(3)
Valence en Brie	-	Application		16,015(3)
Mary sur Marne	-	Application		30,815(3)
Coulommiers	-	Application		45,900(3)
L'Ourcq	-	Application		48,680(3)
Nanteuil	-	Application		48,680(3)
Plaisir	-	Application		32,667(3)
Meaux	-	Application		155,175(3)
Rozay en Brie	-	Application		36,273(3)
Chevry	-	Application		97,606(3)
Leudon extension	-	Application		12,882(3)
Sezanne	-	Application		214,981(3)
Fère en Tardenois	-	Application		64,885(3)
Maisoncelles	-	Application		49,625(3)
			Total Applications	881,150
TOTAL EXPLORATION (PERMITS AND APPLICATIONS)				1,661,449(4)

* Adjusted for the May 10, 2010 agreement with Hess.

(1) Renewal application pending.

(2) Assuming approval of the transfer of interest to Toreador by the French government under article 43 of decree 2006-648.

(3) The application award process may result in us receiving less than a 100% working interest in the pending applications or only part of the acreage by an application.

(4) Assuming successful applications.

On May 10, 2010, TEF, a indirect subsidiary of the Company, entered into the Investment Agreement with Hess, a company organized under the laws of France and a wholly owned subsidiary of Hess Corporation, a Delaware corporation, pursuant to which (x) Hess becomes a 50% holder of TEF's working interests in its awarded and pending exploration Permits in the Paris Basin, France subject to fulfillment of Work Program (as described in (y) (2) hereafter) and (y) (1) Hess made a \$15 million upfront payment to TEF, (2) Hess has the right to invest up to \$120 million in fulfillment of a two-phase Work Program and (3) TEF would be entitled to receive up to a maximum of \$130 million of success fees based on reserves and upon the achievement of an oil production threshold.

We are also currently focused on exploiting our shale oil acreage in the Paris Basin and more generally developing our French business. Our current priority is to execute with our strategic partner, Hess, a proof of concept program by drilling, completing and testing six or more unconventional exploration wells, it being specified that the first four related permit applications have been approved by the French authorities. On November 10, 2010, Hess executed an agreement for the provision of drilling and related services for the initial six firm wells targeting the Liassic shale oil source rock system. Drilling is expected to commence in January 2011 on the Chateau Thierry exploration permit. The well will be drilled vertically to an expected total depth of 3,000 meters. The primary geologic target of the well is the Liassic section, the top of which is expected to be encountered at an approximate depth of 2,300 meters. Conventional cores will be taken throughout the Liassic section to evaluate reservoir and rock properties.

Hess and Toreador have approved a joint venture budget for 2011, which totals \$56 million in firm spending (which will be funded out of Hess's commitments under the terms of the Investment Agreement) and a possible additional \$20 million of discretionary spending that will be decided at a later date between Hess and Toreador.

IX. TAX CONSEQUENCES

Set out below are the main French and U.S. tax consequences likely to apply to investors who are French tax resident for tax purposes (the "French Investors").

The tax regime described below is based on the French and U.S. domestic laws in force on November 9, 2010, and the Convention Between the United States and the French Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital, signed at Paris on August 31, 1994 as amended (the "Treaty"). Such tax regime may be subject to change, possibly on a retroactive basis. In particular, the French Finance Bill for 2011 provides for certain changes that are mentioned below. Such changes will however be definitive and enter into force only after a vote of the French Parliament and the publication of the law which should occur before the end of December 2010. Until the vote, the French Finance Bill for 2011 can further be modified by the French Parliament. Investors are urged to follow it together with any other change with the help of their own tax advisor.

Please note that the information set out below is only a summary of the applicable tax regime. Investors in particular situation (for instance, U.S. citizen) are urged to consult their own tax advisor regarding tax consequences of owning and disposing of Common Stock of Toreador in their respective circumstances.

9.1. Capital Gains on disposal of Toreador Common Stock

Individual Investors Holding Common Stock as a Private Investment

According to Article 13 of the Treaty, any gain realized on the disposal of Toreador Common Stock will generally be subject to income tax only in France.

Pursuant to article 150-0 A of the French Tax Code, capital gains arising out of the sale of the Toreador Common Stock realized by individual investors will be subject to income tax at the proportional rate, which is currently set at 18%, as of the first euro, if the total amount of the transfers of securities and other rights or certificates referred to under article 150-0 A of the French Tax Code (except transfers that benefit from deferred taxation and exempt transfers held in connection with a stock savings plan (*plan d'épargne en actions*)) carried out during the calendar year has exceeded, per tax household, a threshold set at €25,830 for sales realized in 2010. This threshold is reviewed every year to take into account inflation.

Capital gains will also be subject to the following social contributions, which are non-deductible from the income taxable basis, as from the first euro, irrespective of the above mentioned threshold:

- the *contribution sociale généralisée* (“CSG”) at the rate of 8.2%;
- the *contribution au remboursement de la dette sociale* (“CRDS”) at the rate of 0.5%;
- the *prélèvement social* at the rate of 2%; and
- the *contributions additionnelles au prélèvement social* at the global rate of 1.4%.

Pursuant to article 150-0 D *bis* of the French Tax Code, the net gains arising out of the sale of the Toreador Common Stock will be decreased by an allowance of one third for every year the securities have been held starting after the fifth year, provided that the taxpayer is able to prove the time as well as the uninterrupted holding of the Toreador Common Stock that were transferred. For the application of this article, the time of holding is calculated with respect to the acquisition the Toreador Common Stock, as of January 1 of the year of the acquisition. However, the allowance does not extend to the calculation of the four contributions mentioned above, which continue to be due, even in the event of a full income tax exemption, for the entire net gain realized on that transfer.

Pursuant to the provisions of article 150-0 D 11 of the French Tax Code, any capital losses incurred during a year, after application of the allowance for the time of holding mentioned above, if applicable, may be offset against the capital gains of the same nature realized during the same year and, possibly, during the next ten years, provided that the capital losses result from taxable transactions, which means in particular that the threshold referred to above has been exceeded during the year in which the capital loss was incurred. Capital losses are however deductible from capital gains of same nature with respect to social contribution irrespective of the above mentioned threshold the year in which the capital loss was incurred.

The attention of the French Investors is drawn to the fact that the current version of the Finance Bill for 2011 provides for an abolition of the above mentioned amount of sale threshold. Accordingly, capital gains realized on the sale of Toreador Common Stock would be subject to income tax irrespective of the total amount of sale realized during a calendar year and capital losses would be deductible from capital gain of the year and the ten following years in the same conditions. The Finance Bill for 2011 provides in addition for an increase of the rate of income tax from 18% to 19% (that would be applicable to capital gains realized on or after January 1, 2011) and an increase of the rate of the *prélèvement social* from 2% to 2.2% (that would be applicable to capital gains realized on or after January 1, 2010).

French Tax Resident Shareholders that are Legal Entities and Subject to Corporate Tax

According to Article 13 of the Treaty, any gain realized on the disposal of Toreador Common Stock

will generally be subject to income tax only in France provided, in particular, that the ownership of the Toreador Common Stock is not effectively attributable to a permanent establishment or a fixed base the investor has in the U.S..

As a general rule, capital gains and losses realized upon the disposal of Common Stock of Toreador Common Stock will be included in the taxable income of companies taxable at the ordinary corporate income tax rate of 33.1/3% as well as an additional contribution equal to 3.3% of the corporate income tax after a basis allowance that cannot exceed €763,000 per twelve-month period, if applicable.

A specific tax treatment would apply in the case where Common Stock of Toreador Common Stock would qualify as a controlling interest (*titres de participation*), held for at least two years from the date of the acquisition of Common Stock of Toreador Common Stock.

Pursuant to Article 219-1 *a quinquies* of the French Tax Code, the following shares constitute *titres de participation*: (i) shares qualifying as such under the accounting rules, (ii) shares acquired pursuant to a public takeover bid for cash or for shares by the company that initiated it, or (iii) shares of a company that qualifies for the parent subsidiaries regime provided for in Articles 145 and 216 of the French Tax Code if those shares or securities are entered in the accounts as “*titres de participation*” or to a special sub-account of the balance sheet corresponding to their characterization for accounting purposes, other than shares of predominantly real estate entities.

According to the provisions of Article 219-1 *a quinquies* of the French Tax Code, net gains realized upon the disposal of controlling interest (*titres de participation*) held for more than two years would qualify for the long-term capital gain regime under which capital gains are exempt from corporate income tax; nevertheless a 5% service charge (*quote part de frais et charges*) of the net capital gains is taxed at the ordinary corporate tax rate of the 33.1/3%, increased as the case may be by the additional contribution of 3.3% mentioned above.

Other Shareholders who are French Tax Residents

Shareholders subject to a specific tax regime must determine which tax rules apply in their particular case in the event of capital gains or losses realized upon the disposal of Toreador Common Stock.

9.2. Withholding Tax

In the U.S.

In the event Toreador pays dividends on its Common Stock, any such dividends paid to a non-U.S. holder (as defined below) of Common Stock generally will be subject to withholding tax at a 30% rate or a reduced rate specified by an applicable income tax treaty. In order to obtain a reduced rate of withholding, a non-U.S. holder will be required to provide an IRS Form W-8BEN certifying its entitlement to benefits under a treaty.

Under the Treaty, a French Investor will generally be entitled to a reduced rate of U.S. withholding tax of 15% with respect to dividends or, if the investor owns at least 10% of the voting power of Toreador, 5% provided, in particular, that the ownership of its Toreador Common Stock is not attributable to a permanent establishment or a fixed base the investor has in the U.S. if it timely files a properly completed and executed IRS Form W-8BEN with the U.S. Internal Revenue Service.

The withholding tax does not apply to dividends paid to a non-U.S. holder who provides a Form W-8ECI, certifying that the dividends are effectively connected with the non-U.S. holder's conduct of a trade or business within the U.S.. Instead, the effectively connected dividends will be subject to U.S. income tax on a net income basis as if the non-U.S. holder were a U.S. resident, subject to an applicable income tax treaty providing otherwise. A non-U.S. corporation receiving effectively connected dividends may also be subject to an additional “branch profits tax” imposed at a rate of 30%

(or a lower treaty rate).

For purposes of this discussion, a non-U.S. holder is any beneficial owner of Toreador Common Stock that is a “non-U.S. person” for U.S. federal income tax purposes. A non-U.S. person is any of the following:

- a non-resident alien individual, other than certain former citizens and residents of the U.S. subject to tax as expatriates,
- a foreign corporation or
- a foreign estate or trust.

A non-U.S. holder does not include an individual who is present in the U.S. for 183 days or more in the taxable year of disposition and is not otherwise a resident of the U.S. for U.S. federal income tax purposes. Such an individual is urged to consult his or her own tax advisor.

In France

Whether received in France or abroad, dividend payments, if any, made in respect of Toreador Common Stock received by French tax residents will be included in their income taxable base, the computation being different between individuals and corporations subject to corporate income tax.

French tax resident individuals may under certain conditions elect for a withholding tax at the rate of 18% on the gross amount of dividends received (*Prélèvement forfaitaire libératoire*). The attention of the investors is drawn to the fact that the current version of the Finance Bill for 2011 provides for an increase of the rate of such withholding tax from 18% to 19% that would be applicable to dividends received on or after January 1, 2011.

Dividend payments received by French tax resident individuals are in addition subject to the social contributions mentioned in **Section 9.1** above, a portion of which is deductible from the taxable basis of the year of payment unless the investor has elected to the above mentioned withholding tax (*Prélèvement forfaitaire libératoire*).

U.S. withholding tax on the dividend received will generally entitle the French Investor to a tax credit in France equal to the U.S. withholding tax paid in accordance with Treaty within the limit of the French income tax attributable to the dividend.

9.3. Other Taxes and Duties

No French taxes of a documentary nature, such as capital tax, stamp or registration tax or duty, are payable by or on behalf of a holder of Toreador Common Stock by reason only of the purchase, ownership or sale of such Common Stock, provided that no written agreement formalizing the transfer of Common Stock is executed in France.

Toreador Common Stock acquired by individual French Investors as part of their estate will be included in their taxable estate and are subject, as the case may be, to wealth tax.

X. DOCUMENTS ON DISPLAY

As a public company, we regularly file reports and proxy statements with the SEC. These reports are required by the Exchange Act and include, but are not limited to:

- annual reports on Form 10-K;

- quarterly reports on Form 10-Q;
- current reports on Form 8-K;
- proxy statements on Schedule 14A; and
- any amendments to those reports.

As of the date of this prospectus, no material changes to the information contained in Exhibits I to III to this prospectus have occurred except as otherwise included in this prospectus.

The SEC maintains an Internet site at www.sec.gov that contains the reports, proxy and information statements, and other information that we file electronically.

We make available free of charge access to our SEC filings as soon as reasonably practicable after such materials are electronically filed with or furnished to the SEC through our website at www.toreador.net. Other reports filed with the SEC under the Exchange Act, are also available including the proxy statements and reports filed by officers and directors under Section 16(a) of that Act. These reports may be found on our website by selecting the option entitled “SEC Filings” under the “Investor Relations” section of the website. The reference to our website address does not constitute incorporation by reference of the information contained on our website and should not be considered part of this document.

Copies of the above referenced information will also be made available, free of charge, by calling + 1 214 559 3933 or upon written request to:

Toreador Resources Corporation,
13760 Noel Road, Suite 1100,
Dallas, TX 75240-1383, U.S.A.

or

Toreador Holding S.A.S
9, rue Scribe
75009 Paris, France

CROSS-REFERENCE LISTS

ANNEX I

MINIMUM DISCLOSURE REQUIREMENTS FOR THE SHARE REGISTRATION DOCUMENT (SCHEDULE)

(Page numbering refers to the page contained in the relevant document)

Item#	Item contents	Chapter/Exhibit	Page/Section
1.	PERSONS RESPONSIBLE		
1.1.	All persons responsible for the information given in the prospectus	Prospectus	7 (Company Representatives for Prospectus)
		Exhibit I	Exhibits 31.1, 31.2 and 32.1
		Exhibit II	Exhibits 31.1, 31.2 and 32.1
1.2.	A declaration by those responsible for the prospectus	Prospectus	7 (Company Representatives for Prospectus)
2.	STATUTORY AUDITORS		
2.1.	Names and addresses of the issuer's auditors	Chapter C	32 (Directors and Executive Officers - Statutory Auditors)
		Exhibit I	F-2 – F-4 (Report of Independent Registered Public Accounting Firm)
		Exhibit VI	F-2 – F-3 (Report of Independent Registered Public Accounting Firm)
2.2.	If auditors have resigned, been removed or not been re-appointed during the period covered by the historical financial information, indicate details if material.	Exhibit VII	Part 2 All pages
3.	SELECTED FINANCIAL INFORMATION		
3.1.	Selected historical financial information	Exhibit I	36-37 (Item 6. Selected Financial Data)
3.2.	Interim periods	Exhibit II	1-48 (Financial Information)

Item#	Item contents	Chapter/Exhibit	Page/Section
4.	RISK FACTORS	Chapter B	21-24
		Exhibit I	19-32 (Item 1A. Risk Factors) and 67 (Item 7A. Quantitative and Qualitative Disclosures About Market Risk)
		Exhibit II	47 (Item 3. Quantitative and Qualitative Disclosures About Market Risk) and 49 (Item 1A. Risk Factors)
5.	INFORMATION ABOUT THE ISSUER		
5.1.	<u>History and Development of the Issuer</u>		
5.1.1.	The legal and commercial name of the issuer	Exhibit I	Cover Page
5.1.2.	The place of registration of the issuer and its registration number	Chapter C	29 (1.9 Registration Number)
		Exhibit I	Cover Page
5.1.3.	The date of incorporation and the length of life of the issuer, except where indefinite	Exhibit I	1 (Item 1 and 2. Business and Properties)
5.1.4.	The domicile and legal form of the issuer, the legislation under which the issuer operates, its country of incorporation, as well as the address and telephone number	Chapter C	25 (1.2 Legislation Under Which the Securities Have Been Created)
		Exhibit I	Cover Page
5.1.5.	Important events in the development of the issuer's business	Exhibit I	1-18 (Item 1 and 2. Business and Properties) 38-39 (Executive Overview) F-37 – F-39 (Note 15. Discontinued Operations) and F-43 – F-44 (Note 17. Subsequent Events)
		Exhibit II	22-23 (Note 16. Agreement with Hess) 27-29 (Executive Overview) and 25 (Note 19. Subsequent Events)

Item#	Item contents	Chapter/Exhibit	Page/Section
5.2.	Investments		
5.2.1.	A description (including the amount) of the issuer's principal investments for each financial year for the period covered by the historical financial information up to the date of the prospectus	Exhibit I	1-18 (Item 1 and 2. Business and Properties) 38-67 (Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations) and F-17 (Note 5. Oil and Natural Gas Properties)
		Exhibit II	26-47 (Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations)
5.2.2.	A description of the issuer's principal investments that are in progress	Exhibit I	1-18 (Item 1 and 2. Business and Properties)
		Exhibit II	26-47 (Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations)
5.2.3.	Information concerning the issuer's principal future investments on which its management bodies have already made firm commitments	Not Applicable	Not Applicable
6.	BUSINESS OVERVIEW		
6.1.	<u>Principal Activities</u>		
6.1.1.	A description of, and key factors relating to, the nature of the issuer's operations and its principal activities	Exhibit I	1-18 (Item 1 and 2. Business and Properties) and 38-39 (Executive Overview)
		Exhibit II	27-29 (Executive Overview)
6.1.2.	An indication of any significant new products and/or services that have been introduced	Not Applicable	Not Applicable
6.2.	Principal markets	Exhibit I	15 (Markets and Competition) 38-39 (Executive Overview) and F-40 – F-42 (Note 16. Information About Oil and Natural Gas Producing Activities and Operating Segments)

Item#	Item contents	Chapter/Exhibit	Page/Section
6.3.	Where the information given pursuant to items 6.1. and 6.2. has been influenced by exceptional factors, mention that fact	Exhibit II	22-23 (Note 16: Agreement with Hess) and 27-29 (Executive Overview)
6.4.	The extent to which the issuer is dependent, on patents or licenses, industrial, commercial or financial contracts or new manufacturing processes	Exhibit I	4 (Title to Oil and Natural Gas Properties) 7-10 (Permits, Concessions and Pending Applications) 15 (Markets and Competition) 16 (Permits and Concessions) 20 (Risk factor beginning “We may not be able to maintain or renew ...”) 22 (Risk factor beginning “Since we do not hold title ...”) 22 (Risk factor beginning “The loss of the current single purchaser ...”) 26 (Risk factor beginning “Competition in the oil...”) and 27 (Risk factor beginning “We are subject to complex laws ...”)
		Exhibit II	6-7 (Note 1. Basis of presentation) 7 (Note 2. Concentration of Credit Risk and Accounts Receivable) and 22-23 (Note 16. Agreement with Hess)
6.5.	Issuer's competitive position	Exhibit I	15 (Markets and Competition) and 26 (Risk factor beginning “Competition in the oil ...”)
7.	ORGANIZATIONAL STRUCTURE		
7.1.	Description of the group	Chapter C	34 (V. Organizational Structure)
		Exhibit I	Exhibit 21.1
7.2.	A list of the issuer's significant subsidiaries	Exhibit I	Exhibit 21.1
8.	PROPERTY, PLANTS AND EQUIPMENT		
8.1.	Information regarding any existing or planned material tangible fixed assets	Exhibit I	1- 14 (Item 1 and 2. Business and Properties) and F-20 – F-21 (Note 5. Oil and Gas Properties)

Item#	Item contents	Chapter/Exhibit	Page/Section
8.2.	Environmental issues that may affect the issuer's utilization of the tangible fixed assets	Exhibit I	16 (Environmental) and 27 (Risk factor beginning "Our business exposes us")
9.	OPERATING AND FINANCIAL REVIEW		
9.1.	Financial condition	Exhibit I	38-67 (Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations)
		Exhibit II	26-47 (Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations)
9.2.	<u>Operating Results</u>		
9.2.1.	Significant factors materially affecting the issuer's income from operations	Exhibit I	38-67 (Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations)
		Exhibit II	26-47 (Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations)
9.2.2.	Material changes in net sales or revenues	Exhibit I	50, 56, 59, 64 (Revenues)
		Exhibit II	42 (Revenues) and 22-23 (Note 16. Agreement with Hess)
9.2.3.	Governmental, economic, fiscal, monetary or political policies or factors that have materially affected, or could materially affect, directly or indirectly, the issuer's operations	Exhibit I	15-17 (Government Regulation) 23 (Risk factor beginning "Our operations are in France") 23 (Risk factor beginning "All our revenues are") 23 (Risk factor beginning "Our operations are subject to....") 27 (Risk factor beginning "We are subject to complex laws") and 27 (Risk factor beginning "Terrorist activities")

Item#	Item contents	Chapter/Exhibit	Page/Section
10.	CAPITAL RESOURCES		
10.1.	Issuer's capital resources	Exhibit I	47-49 (Liquidity and Capital Resources) F-21 – F-25 (Note 7. Long-Term Debt) F-25 – F-26 (Note 8. Capital) and F-43 – F-44 (Note 17. Subsequent Events)
		Exhibit II	29-30 (Liquidity and Capital Resources) 10-13 (Note 5. Long-Term Debt) 15 (Note 9. Capital) and 25 (Note 19. Subsequent Events)
10.2.	Narrative description of the issuer's cash flows	Exhibit I	47-49 (Liquidity and Capital Resources)
		Exhibit II	29-30 (Liquidity and Capital Resources)
10.3.	Information on the borrowing requirements and funding structure of the issuer	Exhibit I	47-49 (Liquidity and Capital Resources) F-21 – F-25 (Note 7. Long-Term Debt) and F-25 – F-26 (Note 8. Capital)
		Exhibit II	29-30 (Liquidity and Capital Resources) 10-13 (Note 5. Long-Term Debt) and 15 (Note 9. Capital)
10.4.	Information regarding any restrictions on the use of capital resources	Exhibit I	47-49 (Liquidity and Capital Resources) F-21 – F-25 (Note 7. Long-Term Debt)
		Exhibit II	29-30 (Liquidity and Capital Resources) and 10-13 (Note 5. Long-Term Debt)

Item#	Item contents	Chapter/Exhibit	Page/Section
10.5.	Information regarding the anticipated sources of funds needed to fulfill commitments referred to in items 5.2.3. and 8.1.	Exhibit I	47-49 (Liquidity and Capital Resources)
		Exhibit II	10-13 (Liquidity and Capital Resources) and 22-23 (Note 16: Agreement with Hess)
11.	RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES	Not Applicable	Not Applicable
12.	TREND INFORMATION		
12.1.	Significant trends that affected production, sales and inventory, and costs and selling prices since the end of the last financial year to the date of the prospectus	Exhibit I	38-67 (Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations)
		Exhibit II	26-47 (Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations)
12.2.	Trends, uncertainties or events that are likely to affect the issuer for at least the current financial year	Exhibit I	19-32 (Item 1A. Risk Factors)
		Exhibit II	26-27 (Safe Harbor Statement)
13.	PROFIT FORECASTS OR ESTIMATES	Not Applicable	Not Applicable
14.	ADMINISTRATIVE, MANAGEMENT, SUPERVISORY BODIES AND SENIOR MANAGEMENT		
14.1.	Names, business addresses and functions in the issuer of the following persons and an indication of the principal activities performed by them outside the issuer where these are significant with respect to that issuer:	Exhibit III	4-7 (Nominees for Directors)
	a) members of the administrative, management or supervisory bodies;		
	b) partners with unlimited liability, in the case of a limited partnership with a share capital;	Not Applicable	Not Applicable
	c) founders, if the issuer has been established for fewer than five years; and	Not Applicable	Not Applicable
	d) any senior manager who is relevant to establishing that the issuer has the appropriate expertise and experience for the management of the issuer's business.	Exhibit III	29 (Executive Officers)
	The nature of any family relationship between any of those persons	Chapter C	33 (3.2. Executive Officers as of May 3, 2010)

Item#	Item contents	Chapter/Exhibit	Page/Section
	<p>In the case of each member of the administrative, management or supervisory bodies of the issuer and each person mentioned in points (b) and (d) of the first subparagraph, details of that person's relevant management expertise and experience and the following information:</p> <p>(a) the nature of all companies and partnerships of which such person has been a member of the administrative, management and supervisory bodies or partner at any time in the previous five years, indicating whether or not the individual is still a member of the administrative, management or supervisory bodies or partner. It is not necessary to list all the subsidiaries of an issuer of which the person is also a member of the administrative, management or supervisory bodies or partner;</p>	Exhibit III	<p>4-7 (Nominees for Directors) 29 (Executive Officers)</p>
	<p>(b) any convictions in relation to fraudulent offences for at least the previous five years;</p> <p>(c) details of any bankruptcies, receiverships or liquidations with which a person described in (a) and (d) of the first subparagraph who was acting in the capacity of any of the positions set out in (a) and (d) of the first subparagraph was associated for at least the previous five years;</p> <p>(d) details of any official public incrimination and/or sanctions of such person by statutory or regulatory authorities (including designated professional bodies) and whether such person has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.</p> <p>If there is no such information to be disclosed, a statement to that effect is to be made.</p>	Chapter C	33 (3.2. Executive Officers as of May 3, 2010)
14.2.	Administrative, management, and supervisory bodies and senior management conflicts of interests	Exhibit III	<p>8 (Proposal One: Election of Directors) 14 (Compensation Committee Interlocks and Insider Participation) 21-23 (Narrative Disclosure Regarding Summary Compensation Table and Grants of Plan-Based Awards Table) 25 (Potential Payments Upon Termination or Change in Control) and 38 (Certain Relationships and Related Transactions)</p>

Item#	Item contents	Chapter/Exhibit	Page/Section
15.	REMUNERATION AND BENEFITS		
15.1.	The amount of remuneration paid to the members of the administrative, management, supervisory and senior management bodies or to the general managers of the issuer	Exhibit III	15-28 (Executive Compensation)
15.2.	The total amounts set aside or accrued by the issuer or its subsidiaries to provide pension, retirement or similar benefits to the above persons	Exhibit I	F-30 (Note 10. Benefit Plans)
		Exhibit II	23 (Note 17. Pension, Post-Retirement, and Post-Employment Obligations)
16.	Board Practices		
16.1.	Date of expiration of the current term of office, it applicable, and the period during which the person has served in that office.	Exhibit III	3-8 (Proposal One: Election of Directors)
16.2.	Information about members of the administrative, management or supervisory bodies' service contracts with the issuer of any of its subsidiaries providing for benefits upon termination of employment	Exhibit III	21-23 (Employment Agreements) 23-24 (Separation Agreements) and 25-26 (Potential Payments Upon Termination or Change in Control)
16.3.	Information about the issuer's audit committee and remuneration committee, including the names of committee members and a summary of the terms of reference under which the committee operates	Exhibit III	12 (Audit Committee) 12-13 (Report of the Audit Committee) 13-14 (Compensation Committee) 14 (Compensation Committee Interlocks and Insider Participation) and 19 (Compensation Committee Report)
16.4.	Compliance with corporate governance regime(s)	Exhibit I	Exhibits 31.1, 31.2 and 32.1
		Exhibit II	Exhibits 31.1, 31.2 and 32.1
		Exhibit III	9 (Board of Directors)
17.	EMPLOYEES		
17.1.	Number of employees	Chapter C	33 (IV. Employees)

Item#	Item contents	Chapter/Exhibit	Page/Section
17.2.	Shareholders and stock options with respect to each person referred to in points (a) and (d) of the first subparagraph of item 14.1.	Exhibit III	20-21 (Summary Compensation Table) 21 (Grants of Plan-Based Awards Table) 21-23 (Employment Agreements) 25 (Outstanding Equity Awards at Fiscal Year-End) 25 (Option Exercises and Stock Vested in 2009) 27 (Director Compensation) and 29-31 (Security Ownership of Certain Beneficial Owners and Management)
17.3.	Description of any arrangements for involving the employees in the capital of the issuer	Exhibit I	F-30 – F-32 (Note 11. Stock Compensation Plans)
		Exhibit II	23-25 (Note 18. Stock Compensation Plans)
		Exhibit III	28 (Stock Ownership Policy) 28-29 (Securities Authorized for Issuance Under Equity Compensation Plans) 33-37 (Proposal Three: Amendment of the 2005 Long-Term Incentive Plan) A-1-A-21 (Toreador Resources Corporation 2005 Long-Term Incentive Plan) and B-1 (Amendment No.4 to the Toreador Resources Corporation 2005 Long-Term Incentive Plan)
18.	Major Stockholders		
18.1.	Name of any stockholders who are not members of administrative and/or management bodies	Chapter C	34 (VI. Major Shareholders)
18.2.	Whether the issuer's major stockholders have different voting rights	Chapter C	26 (Voting Rights)
18.3.	Information on the persons directly or indirectly controlling the issuer	Not Applicable	Not Applicable
18.4.	Agreement known to the issuer that may result in a change in control of the issuer	Not Applicable	Not Applicable
19.	RELATED PARTY TRANSACTIONS	Exhibit III	38 (Certain Relationships and Related Transactions)

Item#	Item contents	Chapter/Exhibit	Page/Section
20.	FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES		
20.1.	Historical Financial Information Consolidated balance sheets of Toreador Resources Corporation and subsidiaries as of December 31, 2009 and 2008 and the related consolidated statements of income, cash flows, and shareholders' equity for the each of the three years in the period ended December 31,2009	Exhibit I	F-1 – F-50
	Consolidated balance sheets of Toreador Resources Corporation and subsidiaries as of December 31, 2008 and 2007 and the related consolidated statements of income, cash flows, and shareholders' equity for the each of the three years in the period ended December 31,2008	Exhibit VI	F-1 – F-42
20.2.	Pro forma financial information	Not Applicable	Not Applicable
20.3.	Financial statements Consolidated balance sheets of Toreador Resources Corporation and subsidiaries as of December 31, 2009 and 2008 and the related consolidated statements of income, cash flows, and shareholders' equity for the each of the three years in the period ended December 31,2009	Exhibit I	F-1 – F-50
	Consolidated balance sheets of Toreador Resources Corporation and subsidiaries as of December 31, 2008 and 2007 and the related consolidated statements of income, cash flows, and shareholders' equity for the each of the three years in the period ended December 31,2008	Exhibit VI	F-1 – F-42
20.4.	<u>Auditing of historical annual financial information</u>		
20.4.1.	Statement that the historical financial information has been audited	Exhibit I	F-4 (Report of Independent Registered Public Accounting Firm)
	Reports of Independent Registered Public Accounting Firm on consolidated balance sheets of Toreador Resources Corporation the related consolidated statements of income, cash flows, and shareholders' equity as of December 31, 2009, and for each of the three years in the period ended December 31, 2009	Exhibit VI	F-3 (Report of Independent Registered Public Accounting Firm)
20.4.2.	Indication of other information in the prospectus which has been audited by the auditors	Exhibit I	F-2 – F-3 (Report of Independent Registered Public Accounting Firm)
		Exhibit VI	F-2 (Report of Independent Registered Public Accounting Firm)

Item#	Item contents	Chapter/Exhibit	Page/Section
20.4.3.	Unaudited financial data in prospectus	Chapter C	30-32 (II. Statement of Capitalization and Indebtedness as of September 30, 2010)
		Exhibit I	36-37 (Item 6. Selected Financial Data) and 66 (Selected Quarterly Financial Data) F-34 – F-38 (Note 18 Supplemental Oil And Natural Gas Reserves And Standardized Measure Information (Unaudited))
		Exhibit II	1-25 (Item 1. Financial Statements (Unaudited))
20.5.	<u>Age of latest financial information</u>		
20.5.1.	The last year of audited financial information	Exhibit I	F-4 (Report of Independent Registered Public Accounting Firm)
20.6.	<u>Interim and other financial information</u>		
20.6.1.	Quarterly or half yearly financial information since the date of the last audited financial statements	Exhibit II	1-25 (Item 1. Financial Statements (Unaudited))
20.6.2.	Interim financial information	Exhibit II	1-25 (Item 1. Financial Statements (Unaudited))
20.7.	<u>Dividend policy</u>	Chapter C	26 (Dividend Rights)
		Exhibit I	34 (Common Stock)
		Exhibit IV	1-2 (Fourth, Section 3)
		Exhibit V	17 (Section 10.1. Dividends)
		Exhibit VI	F-5 (Consolidated Statements of Operations and Comprehensive Income (Loss))
20.7.1.	The amount of the dividend per share for each financial year for the period covered by the historical financial information	Chapter C	29-30 (1.12 Market Capitalization)
		Exhibit I	34 (Common Stock)

Item#	Item contents	Chapter/Exhibit	Page/Section
20.8.	Legal and arbitration proceedings	Exhibit I	32-33 (Item 3. Legal Proceedings) and F-32 – F-33 (Note 12. Commitments and Contingencies)
		Exhibit II	49 (Item 1. Legal Proceedings) and 16-17 (Note 11. Commitments and Contingencies)
		Exhibit VI	F-32 – F-33 (Note 12. Commitments and Contingencies)
20.9.	Significant change in the issuer's financial or trading position since the end of the last financial period	Not Applicable	Not Applicable
21.	ADDITIONAL INFORMATION		
21.1.	<u>Share Capital</u>		
21.1.1.	The amount of issued capital	Chapter C	25 (1.1 Type and the Class of Securities Being Listing, Including the Security Identification Code)
		Exhibit I	34 (Common Stock) F-5 (Consolidated Balance Sheet) and F-6 – F-7 (Consolidated Statements of Changes in Stockholders' Equity)
		Exhibit II	1 (Condensed Consolidated Balance Sheet) and 4 (Condensed Consolidated Statements of Changes in Stockholders' Equity)
		Exhibit IV	Certificate of Amendment
21.1.2.	Shares not representing capital	Not Applicable	Not Applicable
21.1.3.	Shares in the issuer held by the issuer or subsidiaries	Exhibit I	F-8 – F-15 (Note 2. Significant Accounting Policies)
		Exhibit II	49 (Item 2. Unregistered Sales of Equity Securities and Use of Proceeds)

Item#	Item contents	Chapter/Exhibit	Page/Section
21.1.4.	The amount of any convertible securities, exchangeable securities or securities with warrants, with an indication of the conditions governing and the procedures for conversion, exchange or subscription	Exhibit I	47-49 (Liquidity and Capital Resources) F-21 – F-25 (Note 7. Long-Term Debt) and F-43 – F-44 (Note 17. Subsequent Events)
		Exhibit II	11-13 (Note 5. Long-Term Debt) 15 (Note 9. Capital) and 29-30 (Liquidity and Capital Resources)
21.1.5.	Information about and terms of any acquisition rights and or obligations over authorized but unissued capital or an undertaking to increase the capital	Chapter C	25 (1.1 Type and the Class of the Securities Being Listed, including the Security Identification Code)
		Exhibit I	47-49 (Liquidity and Capital Resources) F-21 – F-25 (Note 7. Long-Term Debt) F-25 – F-26 (Note 8. Capital) F-30 – F-32 (Note 11. Stock Compensation Plans) and F-43 – F-44 (Note 17. Subsequent Events)
		Exhibit II	11-13 (Note 5. Long-Term Debt) 15 (Note 9. Capital) 23-25 (Note 18. Stock Compensation Plans) and 29-30 (Liquidity and Capital Resources)
21.1.6.	Information about any capital of any member of the group which is under option or agreed conditionally or unconditionally to be put under option	Not Applicable	Not Applicable

Item#	Item contents	Chapter/Exhibit	Page/Section
21.1.7.	A history of share capital for the period covered by the historical financial information	Exhibit I	F-5 (Consolidated Balance Sheet) and F-6 – F-7 (Consolidated Statements of Changes in Stockholders' Equity)
		Exhibit II	1 (Condensed Consolidated Balance Sheet) and 4 (Condensed Consolidated Statements of Changes in Stockholders' Equity)
		Exhibit VI	F-4 (Consolidated Balance Sheet) and F-6 (Consolidated Statements of Changes in Stockholders' Equity)
21.2.	<u>Memorandum and Articles of Association</u>		
21.2.1.	Issuer's objects and purposes	Exhibit IV	1 (Third)
21.2.2.	A summary of any provisions of the issuer's articles of association, statutes, charter or bylaws with respect to the members of the administrative, management and supervisory bodies	Chapter C	26-27 (Board of Directors; Removal; Vacancies)
		Exhibit III	9-14 (Board of Directors - Committees)
		Exhibit IV	2-3 (Fifth, Sixth, Seventh, Eighth)
		Exhibit V	6-11, 15-17 (Articles Three, Four, Five and Nine)
21.2.3.	A description of the rights, preferences and restrictions attaching to each class of the existing shares	Chapter C	26-28 (1.5 Rights Attached to the Securities)
		Exhibit IV	1-2 (Fourth, Section 2 – Section 3)
21.2.4.	What action is necessary to change the rights of holders of the shares	Chapter C	26 (Voting Rights) and 27 (Amendments to the Certificate of Incorporation and Bylaws)
		Exhibit IV	1 (Fourth, Section 2) 1 (Fourth, Section 3) and 2 (Sixth)
		Exhibit V	4 (Section. 2.7. Quorum; Section 2.8. Required Vote; Withdrawal of Quorum) 19 (Section 10.14. Amendments)
21.2.5.	Conditions governing the manner in which annual general meetings and extraordinary general meetings of stockholders are called	Chapter C	26 (Meetings of the Stockholders)
		Exhibit V	1-6 (Articles I. Meetings of Stockholders)

Item#	Item contents	Chapter/Exhibit	Page/Section
21.2.6.	Provisions of the issuer's articles of association, statutes, charter or bylaws that would have an effect of delaying, deferring or preventing a change in control of the issuer	Chapter C	26 (Voting Rights) and 28 (1.6. Anti-Takeover Statutes)
21.2.7.	An indication of the articles of association, statutes, charter or bylaw provisions, if any, governing the ownership threshold above which stockholder ownership must be disclosed	Not Applicable	Not Applicable
21.2.8.	A description of the conditions imposed by the memorandum and articles of association statutes, charter or bylaw governing changes in the capital, where such conditions are more stringent than is required by law	Not Applicable	Not Applicable
22.	MATERIAL CONTRACTS		
	Summary of material contracts	Exhibit II	6-7 (Note 1. Basis of presentation) and 22-23 (Note 16. Agreement with Hess)
23.	THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST		
23.1.	Where a statement or report attributed to a person as an expert is included in the Registration Document, provide such person's name, business address, qualifications and material interest if any in the issuer	Exhibit I	Exhibit 99.2
23.2.	Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced	Exhibit I	Exhibit 99.2
24.	DOCUMENTS ON DISPLAY	Chapter C	43-44 (X. Documents on Display)
25.	INFORMATION ON HOLDINGS	Chapter C	34 (V. Organizational Structure)
		Exhibit I	Exhibit 21 (Subsidiaries of the Registrant)

ANNEX III

**MINIMUM DISCLOSURE REQUIREMENTS FOR THE SHARE SECURITIES NOTE
(SCHEDULE)**

(Page numbering refers to the page contained in the relevant documents)

Item#	Item contents	Chapter/Exhibit	Page/Section
1.	PERSONS RESPONSIBLE		
1.1.	All persons responsible for the information given in the prospectus	Chapter C	7 (Company Representatives for Prospectus)
		Exhibit I	Exhibits 31.1, 31.2 and 32.1
		Exhibit II	Exhibits 31.1, 31.2 and 32.1
1.2.	A declaration by those responsible for the prospectus	Chapter C	7 (Company Representatives for Prospectus)
2.	RISK FACTORS		
		Exhibit I	19-32 (Item 1A. Risk Factors) and 67 (Item 7A. Quantitative and Qualitative Disclosures About Market Risk)
		Exhibit II	47 (Item 3. Quantitative and Qualitative Disclosures About Market Risk) and 49 (Item 1A. Risk Factors)
3.	KEY INFORMATION		
3.1.	Working capital statement	Chapter C	34 (VII. Working Capital Statement)
3.2.	Capitalization and indebtedness	Chapter C	30-32 (II. Statement of Capitalization and Indebtedness as of September 30, 2010)
3.3.	Interest of natural and legal persons involved in the issue/offer	Not Applicable	Not Applicable
3.4.	Reasons for the offer and use of proceeds	Chapter C	29 (1.11 Purpose of the Listing and Liquidity)
4.	INFORMATION CONCERNING THE SECURITIES TO BE OFFERED/ADMITTED TO TRADING		
4.1.	Type and the class of the securities being offered, including the security identification code	Chapter C	25 (1.1 Type and the Class of the Securities Being Listed, Including the Security Identification Code)

Item#	Item contents	Chapter/Exhibit	Page/Section
4.2.	Legislation under which the securities have been created	Chapter C	25 (1.2 Legislation Under Which the Securities Have Been Created)
4.3.	Form of securities, name and address of the entity in charge of keeping the records	Chapter C	25-26 (1.3 Form of Securities, Name and Address of the Entity in Charge of Keeping the Records)
4.4.	Currency of the securities issue	Chapter C	26 (1.4 Currency of the Securities Issue)
4.5.	Rights attached to the securities	Chapter C	26-28 (1.5 Rights Attached to the Securities)
4.6.	Statement of the resolutions, authorizations and approvals by virtue of which the securities have been or will be created and/or issued	Not Applicable	Not Applicable
4.7.	Expected issue date of the securities	Not Applicable	Not Applicable
4.8.	Description of any restrictions on the free transferability of the securities.	Chapter C	29 (1.8 Transferability)
4.9.	Mandatory takeover bids and/or squeeze-out and sell-out rules in relation to the securities.	Chapter C	28 (1.6 Anti-Takeover Statutes)
4.10.	An indication of public takeover bids by third parties in respect of the issuer's equity, which have occurred during the last financial year and the current financial year.	Not Applicable	Not Applicable
4.11.	Information on taxes on the income from the securities withheld at source	Chapter C	40-43 (IX. Tax Consequences)
5.	TERMS AND CONDITIONS OF THE OFFER		
5.1.	Conditions, offer statistics, expected timetable and action required to apply for the offer		
5.1.1.	Conditions to which the offer is subject	Not Applicable	Not Applicable
5.1.2.	Total amount of the issue/offer	Not Applicable	Not Applicable
5.1.3.	Time period during which the offer will be open and description of the application process	Not Applicable	Not Applicable
5.1.4.	Circumstances under which the offer may be revoked or suspended and whether revocation can occur after dealing has begun	Not Applicable	Not Applicable
5.1.5.	Possibility to reduce subscriptions and the manner for refunding excess amount paid by applicants	Not Applicable	Not Applicable
5.1.6.	Minimum and/or maximum amount of application	Not Applicable	Not Applicable
5.1.7.	Period during which an application may be withdrawn	Not Applicable	Not Applicable
5.1.8.	Method and time limits for paying up the securities and for delivery of the securities	Not Applicable	Not Applicable
5.1.9.	Manner and date in which results of the offer are to be made public	Not Applicable	Not Applicable

Item#	Item contents	Chapter/Exhibit	Page/Section
5.1.10.	Procedure for the exercise of any right of pre-emption	Not Applicable	Not Applicable
5.2.	Plan of distribution and allotment		
5.2.1.	The various categories of potential investors to which the securities are offered	Not Applicable	Not Applicable
5.2.2.	Indication of whether major shareholders or members of the issuer's management, supervisory or administrative bodies intended to subscribe in the offer, or whether any person intends to subscribe for more than five per cent of the offer	Not Applicable	Not Applicable
5.2.3.	Pre-allotment Disclosure:		
a)	The division into tranches of the offer	Not Applicable	Not Applicable
b)	The conditions under which the claw-back may be used	Not Applicable	Not Applicable
c)	The allotment method or methods to be used for the retail and issuer's employee tranche	Not Applicable	Not Applicable
d)	Pre-determined preferential treatment to be accorded to certain classes of investors or certain affinity	Not Applicable	Not Applicable
e)	Whether the treatment of subscriptions or bids to subscribe in the allotment may be determined on the basis of which firm they are made through or by	Not Applicable	Not Applicable
f)	A target minimum individual allotment if any within the retail tranche	Not Applicable	Not Applicable
g)	The conditions for the closing of the offer as well as the date on which the offer may be closed at the earliest	Not Applicable	Not Applicable
h)	Whether or not multiple subscriptions are admitted	Not Applicable	Not Applicable
5.2.4.	Process for notification to applicants of the amount allotted	Not Applicable	Not Applicable
5.2.5.	Over-allotment and 'green shoe':	Not Applicable	Not Applicable
a)	The existence and size of any over-allotment facility and/or 'green shoe'	Not Applicable	Not Applicable
b)	The existence period of the over-allotment facility and/or 'green shoe'	Not Applicable	Not Applicable
c)	Any conditions for the use of the over-allotment facility or exercise of the 'green shoe'	Not Applicable	Not Applicable
5.3.	Pricing		
5.3.1.	An indication of the price at which the securities will be offered	Not Applicable	Not Applicable
5.3.2.	Process for the disclosure of the offer price	Not Applicable	Not Applicable
5.3.3.	If the issuer's equity holders have pre-emptive purchase rights and this right is restricted or withdrawn	Not Applicable	Not Applicable

Item#	Item contents	Chapter/Exhibit	Page/Section
5.3.4.	Where there is or could be a material disparity between the public offer price and the effective cash cost to members of the administrative, management or supervisory bodies or senior management, or affiliated persons, of securities acquired by them in transactions during the past year	Not Applicable	Not Applicable
5.4.	Placing and Underwriting		
5.4.1.	Name and address of the co-coordinator(s) of the global offer	Not Applicable	Not Applicable
5.4.2.	Name and address of any paying agents and depository agents in each country	Chapter C	25-26 (1.3 Form of Securities, Name and Address of the Entity In Charge of Keeping the Records)
5.4.3.	Name and address of the entities agreeing to underwrite the issue on a firm commitment basis	Not Applicable	Not Applicable
5.4.4.	When the underwriting agreement has been or will be reached	Not Applicable	Not Applicable
6.	ADMISSION TO TRADING AND DEALING ARRANGEMENTS		
6.1.	Whether the securities offered are or will be the object of an application for admission to trading	Chapter C	25 (1.1 Type and the Class of the Securities Being Listed, Including the Security Identification Code)
6.2.	Regulated markets or equivalent markets on which securities of the same class of the securities to be offered or admitted to trading are already admitted to trading	Chapter C	25 (1.1 Type and the Class of the Securities Being Listed, Including the Security Identification Code)
6.3.	Simultaneous private placement	Not Applicable	Not Applicable
6.4.	Details of the entities which have a firm commitment to act as intermediaries in secondary trading, providing liquidity	Not Applicable	Not Applicable
6.5.	Stabilization		
6.5.1.	The fact that stabilization may be undertaken, that there is no assurance that it will be undertaken and that it may be stopped at any time	Not Applicable	Not Applicable
6.5.2.	The beginning and the end of the period during which stabilization may occur	Not Applicable	Not Applicable
6.5.3.	Identity of the stabilization manager	Not Applicable	Not Applicable
6.5.4.	The fact that stabilization transactions may result in a market price that is higher than would otherwise prevail	Not Applicable	Not Applicable
7.	SELLING SECURITIES HOLDERS		
7.1.	Name and business address of the person or entity offering to sell the securities	Not Applicable	Not Applicable

Item#	Item contents	Chapter/Exhibit	Page/Section
7.2.	The number and class of securities being offered by each of the selling security holders	Not Applicable	Not Applicable
7.3.	Lock-up agreements	Not Applicable	Not Applicable
8.	EXPENSE OF THE ISSUE/OFFER		
8.1.	The total net proceeds and an estimate of the total expenses of the issue/offer	Not Applicable	Not Applicable
9.	DILUTION		
9.1.	The amount and percentage of immediate dilution resulting from the offer	Not Applicable	Not Applicable
9.2.	In the case of a subscription offer to existing equity holders, the amount and percentage of immediate dilution if they do not subscribe to the new offer	Not Applicable	Not Applicable
10.	ADDITIONAL INFORMATION		
10.1.	If advisors connected with an issue are mentioned in the Securities Note, a statement of the capacity in which the advisors have acted	Not Applicable	Not Applicable
10.2.	An indication of other information in the Securities Note which has been audited or reviewed by statutory auditors	Not Applicable	Not Applicable
10.3.	Where a statement or report attributed to a person as an expert is included in the Securities Note, provide such persons' name, business address, qualifications and material interest if any in the issuer	Exhibit I	Exhibit 99.2
10.4.	Where information has been sourced from a third party	Exhibit I	Exhibit 99.2

EXHIBITS

EXHIBIT I

**ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31,
2009, FILED BY TOREADOR WITH THE U.S. SECURITIES AND EXCHANGE
COMMISSION ON MARCH 16, 2010**

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

[Item 7. Financial Statements](#)

[Table of Contents](#)

UNITED STATES 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**

OR

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

COMMISSION FILE NUMBER: **0-02517**

Toreador Resources Corporation

(Exact name of Registrant as specified in its charter)

Delaware

*(State or other jurisdiction
of incorporation)*

75-0991164

*(I.R.S. Employer
Identification Number)*

c/o Toreador Holding SAS

9 rue Scribe

Paris, France

(Address of principal executive office)

75009

(Zip Code)

Registrant's telephone number, including area code: + 33 1 47 03 34 24

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

Title of each Class:
COMMON STOCK, PAR VALUE
\$.15625 PER SHARE

Name of each exchange on which registered:
NASDAQ GLOBAL MARKET

Securities registered pursuant to Section 12(g) of the Exchange Act: None

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

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 No

Indicate by check 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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its 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 No

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do Not Check if a Smaller Reporting Company)

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

The aggregate market value of the voting and non-voting common equity of the registrant held by non-affiliates, computed by reference to the closing sales price of such stock, as of June 30, 2009 was \$126,794,592. (For purposes of determination of the aggregate market value, only directors, executive officers and 10% or greater stockholders have been deemed affiliates.)

The number of shares outstanding of the registrant's common stock, par value \$.15625, as of March 12, 2010 was 24,941,155 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the 2010 Annual Meeting of Stockholders, expected to be filed on or before April 30, 2010, are incorporated by reference into Part III of this Form 10-K

TABLE OF CONTENTS

		<u>Page</u>
	<u>PART I</u>	
Item 1 and 2.	Business and Properties	1
Item 1A.	Risk Factors	19
Item 1B.	Unresolved Staff Comments	32
Item 2.	Properties (see Item 1. Business and Properties)	32
Item 3.	Legal Proceedings	32
Item 4.	Reserved	
	<u>PART II</u>	
Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	34
Item 6.	Selected Financial Data	36
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	38
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	67
Item 8.	Financial Statements and Supplementary Data	68
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	68
Item 9A.	Controls and Procedures	68
Item 9B.	Other Information	69
	<u>PART III</u>	
Item 10.	Directors, Executive Officers and Corporate Governance	70
Item 11.	Executive Compensation	70
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	70
Item 13.	Certain Relationships and Related Transactions and Director Independence	70
Item 14.	Principal Accountant Fees and Services	70
	<u>PART IV</u>	
Item 15.	Exhibits and Financial Statement Schedules	71
<u>SIGNATURES</u>		72

PART I

Items 1 and 2. *Business and Properties*

See the "Glossary of Selected Oil and Natural Gas Terms" at the end of Item 1 for the definition of certain terms in this annual report.

Toreador Resources Corporation (together with its direct and indirect subsidiaries, "Toreador," "we," "us," "our," or the "Company"), is an independent energy company engaged in the exploration and production of crude oil with interests in developed and undeveloped oil properties in the Paris Basin, France. We are currently focused on the development of our conventional fields and the exploitation of the prospective shale oil play within our Paris Basin acreage position.

We currently operate solely in the Paris Basin, which covers approximately 170,000 km² of northeastern France, centered 50 to 100 km east and south of Paris. At December 31, 2009, we held interests in approximately 750,000 gross exploration acres. According to Gaffney, Cline & Associates Ltd, an independent petroleum and geological engineering firm, or Gaffney Cline, as of December 31, 2009, our proved reserves were 5.8 MBbls, our proved plus probable reserves were 9.1 MBbls and our proved plus probable plus possible reserves were 14.3 MBbls. Our production for 2009 averaged approximately 900 bbl/d from two conventional oilfield areas in the Paris Basin — the Neocomian Complex and Charmottes fields. As of December 31, 2009, production from these oil fields represented substantially all of our revenue. We intend to maintain production from these mature assets using suitable enhanced oil recovery techniques. In addition to this production base, we have identified several additional conventional exploration targets. We received well results on the La Garenne, the first of these targets, in January 2010. Following a more detailed analysis of the data, we intend to formulate a development plan for the field.

We are also currently focused on exploiting our shale oil acreage in the Paris Basin. Our current priority is to execute a proof of concept program by drilling, completing and testing three pilot wells in the second half of 2010, subject to approval of drilling by the French government, for which the Company intends to submit an application by the end of March 2010. The Company has commenced a process to identify a potential partner to assist with our proof of concept program.

Our management team, Board of Directors and strategy underwent a significant transformation in 2009. In January 2009, we appointed a new Chief Executive Officer and three new directors (the CEO, Non-Executive Chairman and Non-Executive Vice Chairman), and in September 2009, we appointed a new Chief Financial Officer and Commercial Director. In addition, over the course of 2009, Toreador completed its exit of Romania and exited Hungary and Turkey. In the fourth quarter of 2008 and during the first quarter of 2009, Toreador farmed out or sold all of its working interests in Romania to three different companies and closed its office; thus, we no longer have any operational involvement in Romania. On March 3, 2009, Toreador completed the sale of a 26.75% interest in the South Akcakoca Sub-Basin ("SASB") project-associated licenses located in the Black Sea offshore Turkey. On September 30, 2009, Toreador completed its sale of its wholly owned subsidiary, Toreador Hungary Limited, and on October 7, 2009, Toreador completed the sale of its wholly owned subsidiary, Toreador Turkey Ltd., exiting both countries.

We are a Delaware corporation that was incorporated in 1951. Our common stock is traded on the NASDAQ Global Market under the trading symbol "TRGL." Our offices in the United States are located at 13760 Noel Road, Suite 1100, Dallas, TX, 75240-1383 (telephone number: (214) 559-3933). Our principal executive offices are located at c/o Toreador Holding SAS, 9 rue Scribe, 75009 Paris, France (telephone number: +33 1 47 03 34 24). Our website address is www.toreador.net.

Recent Developments

Public Offering

On February 12, 2010, we completed a registered underwritten public offering of 3,450,000 shares of common stock, including 450,000 shares of common stock acquired by the underwriters from us to cover over-allotment options. The net proceeds to Toreador from the offering were approximately \$27.2 million, after deducting underwriting discounts, commissions and estimated offering expenses. We intend to use the net proceeds, together with cash on hand, to satisfy payment obligations arising from the holders' exercise, if any, of their right on October 1, 2010 to require the Company to repurchase its 5.00% Convertible Senior Notes due 2025 and for general corporate purposes, which may include working capital, capital expenditures and acquisitions.

Convertible Notes Exchange

On February 1, 2010, Toreador consummated an exchange transaction, or the Convertible Notes Exchange. In the Convertible Notes Exchange, in exchange for (a) \$22,231,000 principal amount of our outstanding 5.00% Convertible Senior Notes due 2025, or the Old Notes, and (b) \$9.4 million cash, we issued \$31,631,000 aggregate principal amount of our 8.00%/7.00% Convertible Senior Notes due 2025, or the New Convertible Senior Notes, and paid accrued and unpaid interest on the Old Notes.

The New Convertible Senior Notes are senior unsecured obligations of the Company, ranking equal in right of payment with the Company's 5.00% Convertible Senior and future unsubordinated indebtedness. The New Convertible Senior Notes will mature on October 1, 2025 and pay annual cash interest at 8.00% from February 1, 2010 until January 31, 2011 and at 7.00% per annum thereafter. Interest on the New Convertible Senior Notes will be payable on February 1 and August 1 of each year, beginning on August 1, 2010.

The New Convertible Senior Notes are convertible prior to February 1, 2011 only if an event of default occurs and is continuing under the terms of the indenture, upon a Change of Control (as defined in the indenture) and to the extent the Company elects to redeem the New Convertible Senior Notes in a Provisional Redemption (as defined below). The New Convertible Senior Notes are convertible at any time on or after February 1, 2011 and before the close of business on October 1, 2025.

The New Convertible Senior Notes are convertible into shares of our common stock at an initial conversion rate of 72.9927 shares of common stock per \$1,000 principal amount of New Convertible Senior Notes (which is equivalent to an initial conversion price of \$13.70 per share), subject to adjustment upon certain events. Under the terms of the indenture governing the New Convertible Senior Notes, if on or before October 1, 2010, we sold shares of our common stock in an equity offering or an equity-linked offering (other than for compensation), for cash consideration per share such that 120% of the issuance price was less than the conversion price of the New Convertible Senior Notes then in effect, the conversion price was to be reduced to an amount equal to 120% of such offering price. As a result of our February 2010 public offering, the conversion rate of the New Convertible Senior Notes adjusted to 98.0392 shares of common stock per \$1,000 principal amount of New Convertible Senior Notes (which is equivalent to a conversion price of approximately \$10.20 per share). Pursuant to the indenture, the conversion price of the New Convertible Senior Notes will not be further adjusted under such provision because the proceeds from the public offering were in excess of \$20 million.

The New Convertible Senior Notes may be redeemed in whole or in part at the Company's option prior to October 1, 2013, in cash at a redemption price equal to one hundred percent (100%) of the principal amount of the New Convertible Senior Notes redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date plus a make-whole payment, if the closing sale price of the Company's common stock has exceeded 200% of the conversion price then in effect for at least twenty (20) trading days in any consecutive thirty (30)-trading day period ending on the trading day prior to the date of mailing of the relevant notice of redemption. The New Convertible Senior Notes may be redeemed

in whole or in part at the Company's option on or after October 1, 2013 for cash at a redemption price equal to 100% of the principal amount of the New Convertible Senior Notes redeemed, plus any accrued and unpaid interest to, but excluding, the redemption date. In addition, upon the occurrence of certain fundamental changes, and on each of October 1, 2013, October 1, 2015 and October 1, 2020, a holder may require the Company to repurchase all or a portion of the New Convertible Senior Notes in cash for 100% of the principal amount of the New Convertible Senior Notes to be purchased, plus any accrued and unpaid interest to, but excluding, the purchase date.

Pursuant to the indenture, the Company and its subsidiaries may not incur debt other than Permitted Indebtedness. "Permitted Indebtedness" includes (i) the New Convertible Senior Notes; (ii) the 5.00% Convertible Senior Notes or any indebtedness of the Company that serves to refund or refinance the 5.00% Convertible Senior Notes ("Refinancing Debt"), so long as the principal amount of the Refinancing Debt does not exceed the outstanding principal amount of the 5.00% Convertible Senior Notes; (iii) indebtedness incurred by the Company or its subsidiaries not to exceed the sum of (i) the product of (x) \$7.00 and (y) the number of barrels of proved plus probable reserves and (ii) cash equivalents less the aggregate principal amount of the New Convertible Senior Notes outstanding less the aggregate principal amount of the 5.00% Convertible Senior Notes less any Refinancing Debt; (iv) indebtedness that is nonrecourse to the Company or any of its subsidiaries used to finance projects or acquisitions, joint ventures or partnerships, including acquired indebtedness ("Nonrecourse Debt"); and (v) certain other customary categories of permitted debt. In addition, the Company may not permit its total consolidated net debt as of any date to exceed the product of (x) \$7.00 and (y) the number of barrels of proved plus probable reserves other than for Nonrecourse Debt. The proved plus probable reserves underlying any Nonrecourse Debt for which debt has been incurred as permitted debt pursuant to clause (iv) above will be excluded from the proved plus probable reserves calculation for the purposes of the above debt covenants.

Operations Update

La Garenne Well

We began drilling on the La Garenne well on November 12, 2009. The well confirmed a five-meter reservoir within a 50-meter oil column in the target Dogger formation. Based on our continued evaluation of the well results, we believe the well confirms a porous and hydrocarbon-bearing reservoir with a localized low-permeability area at the crest of the structure. We completed production testing of the well in January 2010, and the results were inconclusive. The well flowed only limited quantities from one of its two horizons in the Dogger. We intend to formulate a development plan for La Garenne following a more detailed analysis. We expect that the vertical well drilled will be used as a water disposal or an injection well in the development of this field.

Strategic Partner Process

In November 2009, our Board of Directors retained RBC Capital Markets to assist the Board's Strategic Committee in the review of various strategic alternatives. The approach we are principally focused on is identifying a potential partner to assist us, through a farm-out agreement or other means, in exploiting our shale oil acreage in the Paris Basin. Our current priority is to execute a proof of concept program by drilling, completing and testing three pilot wells in the second half of 2010, subject to approval of drilling by the French government, for which we intend to submit an application by the end of March 2010. To the extent we are able to identify and reach agreement with a partner, we expect that this process could be completed during the first half of 2010, with development intended to begin thereafter.

Strategy

The primary components of our strategy are:

- *Focus on France.* All of our oil assets are currently located in France, having disposed of our interests in Turkey and Hungary in 2009. We believe we can leverage our substantial acreage position and our experience and industry relationships in France to grow the Company.
- *Capture, develop and accelerate conventional prospects.* We have identified a number of conventional oil prospects, which we intend to evaluate for potential development, beginning with La Garenne.
- *Target the prospective unconventional oil resource play.* We are currently seeking a strategic partner to assist in our proof of concept program and potential development of our Paris Basin shale oil acreage position.
- *Continue to focus on operational costs.* Since the beginning of 2009, we have improved operational efficiencies, and we intend to reduce general and administrative costs and continue to focus on maintaining efficient operations.
- *Seek and maintain optimal capital structure.* We expect the proceeds from the February 2010 public offering to enable us to reduce our debt, and we intend to maintain a conservative capital structure over time.

Our Properties

Title to Oil and Natural Gas Properties

Toreador does not hold title to any of its properties; we hold interests in permits or concessions granted by French governmental authorities granting us the right to explore and develop oil properties in France. We currently hold interests in approximately 750,000 gross exploration acres in the Paris Basin and have applied for approximately 423,000 additional gross acres. Our conventional exploration and production operations consist primarily of our existing producing fields, development of the La Garenne field and the development of additional identified targets. Our unconventional exploration operations consist primarily of the exploration of the prospective shale oil play within our Paris Basin acreage position. We believe the French fiscal regime presents attractive and stable terms, and we have ready access to existing infrastructure (pipelines) and end-markets (refineries) in the Paris Basin. The table below summarizes the acreage covered by the exploration permits and exploitation concessions we

[Table of Contents](#)

currently hold or for which we have applied. For a more detailed description of each permit, concession or application, see " — Permits, Concessions and Pending Applications."

<u>Permit Name</u>	<u>Working Interest</u>	<u>Type</u>	<u>Expiration Date</u>	<u>Gross Acreage</u>
Charmottes	100%	Production	October 24, 2013	9,019
Chateaurenard	100%	Production	January 1, 2011*	11,268
St. Firmin Des Bois	100%	Production	January 1, 2011*	3,973
		Total Production		24,260
Courtenay	100%	Exploration	October 1, 2009*	93,159
Aufferville	100%	Exploration	June 16, 2010*	33,112
Nemours	50%	Exploration	June 16, 2013	47,197
Malesherbes	100%	Exploration	March 30, 2010	65,977
Rigny le Ferron	100%	Exploration	February 20, 2011	82,780
Joigny	100%	Exploration	February 20, 2011	33,112
Mairy	30%	Exploration	August 15, 2011	109,715
Nogent sur Seine	100%	Exploration	August 8, 2012	65,730
Chateau Thierry	100%	Exploration	October 24, 2014	192,495
Leudon en Brie	100%	Exploration	August 8, 2012	25,946
		Total Exploration		749,222
Plaisir	—	Application		32,618**
Nangis	—	Application		53,049**
Valence en Brie	—	Application		15,815**
Coulommiers	—	Application		81,545**
Fere en Tardenois	—	Application		239,890**
		Total Applications		422,917
		TOTAL EXPLORATION (PERMITS AND APPLICATIONS)		1,172,139***

* Renewal application pending.

** The application award process may result in Toreador receiving less than a 100% working interest in the pending applications or only part of the acreage represented by an application.

*** Assuming successful applications.

Conventional Exploration and Production

Producing Fields

Our production for 2009 was 328.4 mbbbl, representing an average of approximately 900 bbl/d, from two areas for which we hold exploitation concessions: the Neocomian Complex and Charmottes fields (producing from the Dogger and Trias horizon). As of December 31, 2009, these fields represented 100% of our total proved reserves (5.8 MBbls).

All our production is currently sold to Total pursuant to an agreement signed with Elf Antar in 1996, as amended. Following an initial term expiring in 2002, the agreement automatically renews for one-year periods unless notice of termination is given at least six months in advance. The sale price is based on the monthly-average dated Brent price over the month of production, less a discount. In 2009, sales to Total, representing all of our oil production revenues, totaled \$18.8 million.

La Garenne

We began drilling on the La Garenne well on November 12, 2009. The well confirmed a five-meter reservoir within a 50-meter oil column in the target Dogger formation. Based on our continued evaluation of the well results, We believe the well confirms a porous and hydrocarbon-bearing reservoir with a localized low-permeability area at the crest of the structure. We completed production testing of the well in

[Table of Contents](#)

January 2010, and the results were inconclusive. The well flowed only limited quantities from one of its two horizons in the Dogger. We intend to formulate a development plan for La Garenne following a more detailed analysis. We expect that the vertical well we drilled will be used as a water disposal or an injection well in the development of this field.

Prospect Inventory

We have identified seven additional conventional potential fields: Rachée (on the pending Nangis application), Valence en Brie (on the pending Valence Brie application), Mairy (on the Mairy permit), L'Orme (on the Plaisir pending application), CR 76 Dogger (on the Chateaurenard concession), Les Colins (on the Courtenay permit, subject to renewal) and Arville (on the Aufferville permit). We have retained Beicip-Franlab to model the basin and fields and have retained Gaffney Cline on exploration inventory and enhanced recovery advice. Our ability to explore and develop these targeted fields will be subject to us obtaining additional funding.

Unconventional Exploration: Paris Basin Shale Oil

In addition to our conventional exploration and production, we are also currently focused on exploiting our shale oil acreage in the Paris Basin. Our current priority is to execute a proof of concept program by drilling, completing and testing three pilot wells in the second half of 2010, subject to approval of drilling by the French government, for which the Company intends to submit an application by the end of March 2010. Toreador has retained RBC Capital Markets to manage a process to identify a potential partner to assist us, through a farm-out agreement or other means, in exploiting this acreage. To the extent we are able to identify and reach agreement with a partner, we believe that this process could be completed during the first half of 2010, with development intended to begin thereafter. There can be no assurance that we will be successful in obtaining a partner or achieving an alternative solution to proving the concept. If the process to obtain a partner to assist with this phase is unsuccessful, we may consider alternative solutions to attempt to prove the concept on our own, including by seeking alternative financing, hiring or engaging third parties or additional personnel with the appropriate technical capabilities or a joint venture or other arrangement with a service provider. The design of the following phases would be a function of the results of this pilot and sufficient funding.

Fiscal Terms and Infrastructure

Fiscal Terms

Toreador believes that the Paris Basin presents attractive and stable fiscal terms. Mineral rights in France belong to the French State, and production of hydrocarbons occurs under a concession regime. Holders of a concession or production license must pay the French tax authorities a royalty proportional to the value of the products extracted. This royalty is paid starting from production. The royalty regime distinguishes between production from wells drilled before and after January 1, 1980 and is ring-fenced by production concession. Under current French regulation, the royalty payable is progressive and depends on annual production levels, with royalty rates currently ranging between 0% (below 50,000 tonnes, i.e., 970 bbl/d) and 12% (above 300,000 tonnes, i.e., 5,820 bbl/d) for post-1980 production. Production from pre-1980 wells is subject to an 8% royalty (below 50,000 tonnes), increasing to 30% (above 300,000 tonnes, i.e., 5,820 bbl/d).

Local mining taxes, or RCDM (*redevance communale et départementale des mines*), are also payable to the applicable administrative French county and municipality on whose territory the oil is produced. This local tax is determined by multiplying production by a unit rate, which is set each year by the Ministry of the Environment and Energy. The local mining tax is payable in arrears (tax for the production of 2008 is payable in 2010), is ring-fenced by well, and the regime distinguishes between fields entered into production before and after January 1, 1992. For the year 2009 (payable in 2011), the level of tax has been set at €16.51 per ton of oil equivalent to approximately \$3.24 per bbl based on an exchange rate of 0.719,

[Table of Contents](#)

for pre-1992 production and €5.30 per ton of oil produced for post-1992 production, equivalent to approximately \$1.04 per bbl based on an exchange rate of 0.719. Both the royalties and local mining taxes described above generally apply only to onshore fields; there is a reduced rate for offshore fields located less than one nautical mile from the coast (Toreador does not currently hold any permits covering offshore fields). Each of the taxes is deductible when determining the profit subject to French corporate tax. We are not required to pay surface rental or fees.

Infrastructure

The Paris Basin is conveniently located to utilize existing French infrastructure. The Grandpuits refinery operated by Total is in the heart of the Paris Basin (approximately 30 miles south of the Chateau Thierry permit). Paris Basin crude oil production is currently approximately 11,000 bbl/d (as of December 31, 2009). Our current Paris Basin oil is trucked to the Grandpuits refinery operated by Total after being stored in on-site storage tanks. There is also a major pipeline operated by Lundin Petroleum from the Villeperdue field to the Grandpuits refinery, in which there is substantial free capacity.

Permits, Concessions and Pending Applications

Exploration Permits

We currently hold 10 exploration permits: Rigny le Ferron, Chateau Thierry, Aufferville, Nemours, Courtenay, Joigny, Malesherbes, Mairy, Nogent sur Seine and Leudon en Brie.

Under French mining law, an exploration permit gives the holder an exclusive right to explore and then produce hydrocarbons. Any area, offshore and onshore, which is not covered yet by such a permit may be subject to application at any time. An application for a permit, or a renewal of a permit, is awarded by ministerial order following an administrative consultation and a submission to the regulatory authorities. An exploration permit is initially granted for a period of up to five years and may be renewed twice for up to five years each time; however, the area covered by the permit is reduced by half at the first renewal and by a quarter of the remaining area at the second renewal. The permit holder may designate the areas to remain after such reduction, and in any event, the area covered by a permit may not be reduced below 175 km². The exploration permits have minimum financial requirements, and if such obligations are not met, the permits could be subject to forfeiture. The renewal of a permit is generally granted, provided the holder has met all its obligations thereunder and has agreed to certain future financial commitments at least equal to the financial commitments made during the previous permit period.

Rigny le Ferron

We hold a 100% working interest in, and operate, the Rigny le Ferron permit, which covers approximately 82,780 acres. The existing seismic lines representing around 1,000 km² were reprocessed and interpreted in 2008. Several Dogger prospects have been identified and mapped. Toreador began drilling on the La Garenne well on November 12, 2009. Toreador completed production testing of the well in January 2010, and the results were inconclusive. The well flowed only limited quantities from one of its two horizons in the Dogger. We intend to formulate a development plan for La Garenne following a more detailed analysis. See " — Conventional Exploration and Production — La Garenne." The Rigny le Ferron permit expires in 2011.

Chateau Thierry

We hold a 100% working interest in, and operate, the Chateau Thierry permit, which covers approximately 192,495 acres. The Chateau Thierry permit expires in 2014.

[Table of Contents](#)

Aufferville

We hold a 100% working interest in, and operate, the Aufferville permit, which covers approximately 33,112 acres. After drilling the Ichy 1D dry hole in May 2007, the seismic lines have been entirely reprocessed and are being re-interpreted for delineating new attractive prospects at the Dogger objective. The Aufferville permit expires in June 2010. We have recently filed a renewal application on this permit to drill a Dogger prospect on this acreage in its third period of validity.

Nemours

We hold a 50% working interest in the Nemours permit, which covers approximately 47,197 acres (23,598 net acres for our working interest) and is operated by Lundin Petroleum AB. A reassessment of the prospect potential is ongoing. The Nemours permit expires in 2013.

Courtenay

We hold a 100% working interest in, and operate, the Courtenay permit, which covers approximately 93,159 net acres located east of the Neocomian Complex. We filed a renewal application for the Courtenay permit in the first quarter of 2009 for an additional five-year period. We intend to farm out the Les Colins prospect, which is analogous to the CR76 Dogger prospect on the Neocomian concession.

Joigny

We hold a 100% working interest in, and operate, the Joigny permit, which covers approximately 33,112 acres. Seismic interpretation is underway on the acreage to delineate prospects in the Portlandian limestone. The Joigny permit expires in 2011.

Malesherbes

We hold a 100% working interest in, and operate, the Malesherbes permit, which covers approximately 65,977 acres. The Malesherbes permit expires on March 30, 2010, and the Company does not intend to renew the permit.

Mairy

We currently hold a 30% working interest in the Mairy permit, which covers approximately 109,715 acres (32,914 net acres for our working interest) and is operated by Lundin Petroleum AB. The Mairy permit expires in 2011.

Nogent sur Seine

We hold a 100% working interest in, and operate, the Nogent sur Seine permit, which covers approximately 65,730 acres. All of the existing seismic coverage representing around 1,012 km² has been purchased, and seismic reprocessing is expected to take place in 2010 to identify Dogger and Triassic prospects over this block. The Nogent sur Seine permit expires in 2012.

Leudon en Brie

We hold a 100% working interest in, and operate, the Leudon en Brie permit, which covers approximately 25,946 acres. Reprocessing and reinterpretation of the 655 km² grid of existing 2D seismic purchased in 2008 commenced in the first quarter of 2010 to identify Dogger and Triassic prospects. The Leudon en Brie permit expires in 2012.

[Table of Contents](#)

Exploitation Concessions

We currently hold two exploitation concessions covering two producing oil fields in the Paris Basin: the Neocomian Complex and Charmottes fields (Dogger and Trias). As of December 31, 2009, production from these oil fields represented substantially all of our revenue.

Property	Permit Expiration Year	At December 31, 2009		
		Total Proved Reserves (mdbl)	Post-Expiration Proved Reserves (mdbl)	Percent of Proved Reserves Post-Expiration
Neocomian Fields	2011*	5,418	5,153	95.11%
Charmottes Field	2013	387	348	89.92%

* Renewal application pending

Under French mining law, hydrocarbons may only be developed once a concession has been granted. During the exploration permit period, the permit holder has the exclusive right to obtain an exploitation concession. An exploitation concession is granted by decree, after a public enquiry, a local administrative consultation and a submission to the regulatory authorities. The decree sets forth the concession's perimeter and duration, which cannot exceed 50 years. To be awarded an exploitation concession, the applicant must, among other things, prove that it has the appropriate technical and financial capabilities to perform the operations and comply with regulations. An exploitation concession may be extended several times, each time for no longer than 25 years. An application for a renewal must be submitted two years before the expiration of the concession. The French government is not obligated to renew an exploitation concession, and such renewal would be subject to our satisfaction of technical and financial capability requirements.

Holders of a concession or production license must pay the French government a royalty proportional to the value of the products extracted. This royalty generally applies only to onshore fields and is backdated and paid when the concession is granted. It is deductible from the French corporate tax. Local mining taxes are also payable by the holder, and are determined by multiplying production by a unit rate, which is set each year by the regulatory authorities. These taxes also generally apply only to onshore fields; there is a reduced rate for offshore fields located less than one nautical mile from the coast (we do not currently hold any permits covering offshore fields). Mining taxes are deductible when determining profit subject to French corporate tax.

Neocomian Complex

We hold a 100% working interest in, and operate, the two concessions (Chateaufrenard and St. Firmin Des Bois) covering the Neocomian Complex, which consist of a group of four smaller field units. As of December 31, 2009, the complex had 80 producing oil wells, and production was approximately 782 bbl/d. An exploration prospect has been identified in the Dogger objective located 500 meters below the Neocomian producing reservoirs. The Chateaufrenard concession, which covers approximately 11,268 acres, and the St. Firmin Des Bois concession, which covers approximately 3,973 acres, both expire in January 2011. Renewal applications for both permits were filed in December 2008 and are currently pending.

Charmottes

We hold a 100% working interest in, and operate, the Charmottes concession, which consists of two oil fields at different horizons (Dogger and Trias). As of December 31, 2009, the fields had seven producing oil wells, and production was approximately 117 bbl/d. The Charmottes concession, which covers approximately 9,019 acres, expires in October 2013.

[Table of Contents](#)

Pending Applications

The application award process may result in Toreador getting less than a 100% working interest in the pending applications or only part of that application depending on competition for all or part of the acreage.

Plaisir

We filed an application in September 2008 (revised in December 2008) for the Plaisir permit, which covers approximately 32,618 acres.

Nangis

We filed an application in January 2009 for the Nangis permit, which covers approximately 53,049 acres.

Valence en Brie

We filed an application in January 2009 for the Valence en Brie permit, which covers approximately 15,815 acres.

Coulommiers

We filed an application in November 2008 for the Coulommiers permit, which covers approximately 81,545 acres.

Fere en Tardenois

We filed an application in August 2009 for the Fere en Tardenois permit, which covers approximately 239,890 acres.

Oil Reserves

Summary of Oil Reserves as of December 31, 2009 and 2008

The following table sets forth information about our estimated net proved reserves, probable reserves and possible reserves at December 31, 2009 and 2008 for our properties in France. Gaffney, Cline & Associates Ltd, an independent petroleum engineering firm in the United Kingdom ("GCA"), audited our proved developed reserves, proved undeveloped reserves, probable reserves, possible reserves and discounted present value (pretax) as of December 31, 2009, and LaRoche Petroleum Consultants, Ltd., an independent petroleum engineering firm in Dallas, Texas, prepared the estimates of proved developed reserves, proved undeveloped reserves, probable reserves, possible reserves and discounted present value (pretax) as of December 31, 2008. We prepared the estimate of standardized measure of proved reserves in accordance with FASB ASC 932, "Extractive Activities-Oil and Gas." No reserve reports have been provided to any governmental agencies.

	December 31,	
	2009	2008
	(MBbl)	(MBbl)
Proved developed	5,383	4,385
Proved undeveloped	420	529
Total Proved	5,803	4,914
Probable	3,333	3,492
Possible	5,202	370

Our proved reserves at December 31, 2009 were 5.8 Mbbl. All of our proved reserves are located in the Paris Basin, France. The Neocomian Complex, one of our two producing assets, accounted for 93.31%

of our proved reserves. The increase of our proved reserves from 4.9 Mbbl in 2008 to 5.8 Mbbl in 2009 can be correlated to a better long-term performance of the Neocomian Complex and a higher oil price (see " — Effect of Adoption").

Proved Reserves Disclosures

Recent SEC Rule-Making Activity In December 2008, the Securities and Exchange Commission ("SEC") announced that it had adopted amendments designed to modernize the oil and gas company reserves reporting requirements. The most significant amendments to the requirements include the following:

- replacement of the year-end price with the average prices over 12 months to calculate reserve estimates;
- inclusion of oil and gas extracted from nontraditional sources in reserve estimates;
- permitted use of new technologies that meet the definition of "reliable" to determine oil and gas reserves and requirement to disclose which technologies the registrant used to determine reserves;
- required disclosure of reserves by specific geographic area;
- permitted disclosure of both probable and possible reserves, as defined, in addition to required disclosure of proved reserves;
- requirement to include reports and related consents from third parties who prepare, audit, or perform a process review of the registrant's reserves estimates if the registrant discloses the involvement of third parties for such purposes.

We adopted these rules effective December 31, 2009 and requested GCA to provide us with a third-party opinion on our two producing assets, the Charmottes field and the Neocomian Complexes (see "Third-Party Reserves Audit" below for further detail).

Effect of Adoption Application of the new reserves rules resulted in the use of lower prices at December 31, 2009 for crude oil than would have been used under the previous rules. Nonetheless, given the low decline and the maturity of the Neocomian Complex, which accounted for 93.31% of our proved reserves, once a certain threshold price is reached, use of a higher oil price does not have a significant effect on our reserves estimates. Because the prices used under the new reserves rules already exceed this threshold price, reserves under the new rules are identical to the reserves under the previous rules.

Probable and Possible Reserves

Probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered. When deterministic methods are used, it is as likely as not that actual remaining quantities recovered will exceed the sum of estimated proved plus probable reserves. When probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the proved plus probable reserves estimates. Probable reserves may be assigned to areas of a reservoir adjacent to proved reserves where data control or interpretations of available data are less certain, even if the interpreted reservoir continuity of structure or productivity does not meet the reasonable certainty criterion. Probable reserves may be assigned to areas that are structurally higher than the proved area if these areas are in communication with the proved reservoir. Probable reserves estimates also include potential incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than assumed for proved reserves.

Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. When deterministic methods are used, the total quantities ultimately recovered from a project have a low probability of exceeding proved plus probable plus possible reserves. When probabilistic methods are used, there should be at least a 10% probability that the total quantities ultimately recovered

will equal or exceed the proved plus probable plus possible reserves estimates. Possible reserves may be assigned to areas of a reservoir adjacent to probable reserves where data control and interpretations of available data are progressively less certain. Frequently, this will be in areas where geoscience and engineering data are unable to define clearly the area and vertical limits of commercial production from the reservoir by a defined project. Possible reserves also include incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than the recovery quantities assumed for probable reserves.

Internal Controls Over Reserves Estimates

Our policies regarding internal controls over the recording of reserves estimates require reserves to be in compliance with the SEC definitions and guidance and prepared in accordance with generally accepted petroleum engineering principles. Responsibility for compliance in reserves bookings is delegated to a qualified petroleum engineer in our Paris office under the supervision of the Country Manager for France and our Chief Executive Officer. The petroleum engineer has more than 10 years experience in various aspects of reservoir engineering in different basins in the world, particularly the Middle East and North Africa regions. He holds an engineering degree completed with an advance degree in Petroleum engineering. He prepares all reserves estimates for our two producing assets. Data used in these integrated assessments include information obtained directly from the subsurface via wellbores such as well logs, reservoir cores, fluid samples, static and dynamic information, production test data and production history. Other type of data used include 2D seismic recently reprocessed and calibrated to available well control. The tools used to interpret the data included reservoir modeling and simulation, Decline Curve Analyses and data analysis packages. We engage a third-party petroleum consulting firm (GCA) to audit all of our reserves. See "Third-Party Reserves Audit" below.

Third-Party Reserves Audit

The reserves audit for the year ending December 31, 2009 was performed by Gaffney, Cline & Associates ("GCA"), a leading international petroleum engineering consultancy.

GCA carried out an audit of the oil and gas reserves of the Paris Basin producing assets owned by Toreador as at December 31, 2009: the Neocomian Complex and Charmottes Fields. The audit was carried out in accordance with SEC rules, as amended as described above. Toreador provided to GCA a data set of technical information, including geological, geophysical and engineering data and reports, together with financial data and development plans. In carrying out its review, GCA relied on the accuracy and completeness of the information received from Toreador and did not independently verify the accuracy and completeness of information and data furnished by us with respect to ownership interests, oil and gas production, well test data, historical costs of operation and development, product prices, or any agreements relating to current and future operations of the fields and sales of production.

GCA noted in its report that the concessions that cover the Neocomian Complex and Charmottes fields expire in 2011 and 2013, respectively. Under French law, exploitation concessions can be generally be renewed for periods of up to 25 years. Although the French government has no obligation to renew the exploitation permits, renewals have been generally granted as long as the operator demonstrates continued financial and technical capabilities to operate under such permits. Toreador applied for a renewal of the concessions covering the Neocomian Complex in December 2008 and intends to apply for a renewal of the concession covering the Charmottes fields in 2010. GCA has assumed for purposes of its report that such renewals will be granted and that the economic terms of the concessions will not be altered on renewal.

GCA determined that our estimates of reserves conform to the guidelines of the SEC, including the criteria of "reasonable certainty," as it pertains to expectations about the recoverability of reserves in future years, under existing economic and operating conditions, consistent with the definition in the recently amended Rule 4-10(a) of Regulation S-X. GCA issued an unqualified audit opinion on our proved reserves at December 31, 2009, based upon its evaluation. The GCA opinion concluded that our estimates

[Table of Contents](#)

of proved, probable and possible reserves were, in aggregate, reasonable and have been prepared in accordance with generally accepted petroleum engineering and evaluation principles. GCA's report is attached to this Annual Report on Form 10-K as an exhibit.

The technical personnel at GCA responsible for overseeing the audit of our reserves estimate are Brian Rhodes and Chris Freeman. Mr. Rhodes holds a B.Sc (Hons) Geology, is a member of the Energy Institute, the Petroleum Exploration Society of Great Britain, the Society of Petroleum Engineers and the European Association of Geoscientists and Engineers, and has more than 33 years industry experience. Dr. Freeman has nearly 30 years of Industry experience, holds a B.Sc. (Hons) Physics from Lancaster University, a Ph.D. from the University of Cambridge, an MBA from Cass Business School in London, he has been a member of the Society of Petroleum Engineers (SPE) for over 25 years, and is a member of the Petroleum Exploration Society of Great Britain, and the Energy Institute.

Proved Undeveloped Reserves

As of December 31, 2009, our proved undeveloped reserves ("PUDs") totaled 420 MBBL of crude oil, all of which were associated with the Neocomian fields. As of December 31, 2009, PUDs represented approximately 7.3% of our total proved reserves. The change in our PUDs from 529 MBBL in 2008 to 420 MBBL in 2009 was due to a reclassification from proved undeveloped reserves to probable reserves of approximately 108 MBBL that are not scheduled to be developed within five years. We currently estimate that future development costs relating to the development of these PUDs are projected to be approximately \$1.3 million in 2010, \$1.3 million in 2011 and \$2.6 million in 2012. No activity was undertaken in 2009 to convert PUDs to proved developed reserves.

Productive Wells

The following table shows our gross and net interests in productive oil wells as of December 31, 2009. Productive wells include wells currently producing or capable of production.

	<u>Gross(1)</u>			<u>Net(2)</u>		
	<u>Oil</u>	<u>Gas</u>	<u>Total</u>	<u>Oil</u>	<u>Gas</u>	<u>Total</u>
France	131	—	131	131	—	131

(1) "Gross" refers to wells in which we have a working interest.

(2) "Net" refers to the aggregate of our percentage working interest in gross wells before royalties, before or after payout, as appropriate.

Acreage

The following table shows the developed and undeveloped acreage attributable to our ownership as of December 31, 2009.

	<u>Developed Acreage</u>		<u>Undeveloped Acreage</u>		<u>Total Acreage</u>	
	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
France	24,260	24,260	749,222	648,824	773,482	673,084

Undeveloped acreage includes only those acres on which wells have not been drilled or completed to permit the production of commercial quantities of oil and natural gas regardless of whether or not the acreage contains proved reserves.

[Table of Contents](#)**Drilling and Other Exploratory and Development Activities***Drilling Activity*

The following table shows our drilling activities on a gross and net basis for the years ended 2009, 2008 and 2007.

	Year ended December 31,					
	2009		2008		2007	
	Gross(1)	Net(2)	Gross(1)	Net(2)	Gross(1)	Net(2)
FRANCE						
Exploratory:	1	1				
Abandoned(3)			—	—	2	2.00

- (1) "Gross" is the number of wells in which we have a working interest.
- (2) "Net" is the aggregate obtained by multiplying each gross well by our after payout percentage working interest.
- (3) "Abandoned" means wells that were dry when drilled and were abandoned without production casing being run.

Production, Production Prices and Costs

The following table summarizes our oil production, net of royalties, for the periods indicated for France. It also summarizes calculations of our total average unit sales prices and unit costs.

	For the Year Ended December 31,		
	2009	2008	2007
Production:			
Oil (Bbls)	328,416	365,361	383,341
Daily average (Bbls/Day)	900	1,001	1,050
Unit prices:			
Average oil price (\$/Bbl)	\$ 57.17	\$ 93.32	\$ 67.49
Unit costs (\$/BOE):			
Lease operating	\$ 25.57	\$ 25.35	\$ 19.16
Exploration and acquisition	—	0.39	2.23
Depreciation, depletion and amortization	16.66	12.83	10.79
Dry hole costs	—	—	10.01
General and administrative	11.25	3.54	7.39
Total	\$ 53.48	\$ 42.11	\$ 49.58

Office Leases

We occupy 23,297 square feet of office space at 13760 Noel Rd., Suite 1100, Dallas, Texas 75240. The lease for this space became effective on October 1, 2007 and is for seven years, and the average monthly rental is \$33,050 per month for the term of the lease. In July 2009, we subleased approximately 16,638 square feet of our Dallas office due to the relocation of corporate headquarters to Paris, France. We received approximately \$103,987 from the sublease in 2009, which was recorded as a reduction in rent expense. We also lease 3,218 square feet of office space in Paris, France. The lease expires on December 1, 2010 and rent is \$16,795 per month. Total rental expense for 2009 was approximately \$442,144.

Markets and Competition

All our production is currently sold to Total, the largest purchaser in the Paris Basin, pursuant to an agreement signed with Elf Antar in 1996, as amended. Following an initial term expiring in 2002, the agreement automatically renews for one-year periods unless notice of termination is given at least six months in advance. The sale price is based on the monthly-average dated Brent price over the month of production, less a discount. In 2009, sales to Total, representing all of our oil production net revenues, totaled \$18.8 million and represented 98% of our total revenue. In 2008 and 2007, sales to Total represented all of our oil production revenues from France, totaled \$34.1 million and \$25.9 million, respectively, and represented 99% and 99%, respectively, of our total revenue. This production is shipped by truck to a nearby Total refinery.

The oil and natural gas industry is highly competitive. We encounter strong competition from other independent operators and from major oil companies in acquiring exploration permits and exploitation concessions, contracting for drilling equipment and securing trained personnel. Many of these competitors have financial and technical resources and staffs substantially larger than those available to us. As a result, our competitors may secure desirable permits and concessions, and they may pay more to evaluate, bid for and purchase a greater number of permits and concessions or prospects than our financial or personnel resources permit us to do.

We are also affected by competition for drilling rigs and the availability of tubular goods and certain other equipment. While the oil and natural gas industry has experienced shortages of drilling rigs and equipment, pipe and personnel in the past, we are not presently experiencing any shortages and do not foresee any such shortages in the near future; however, we are unable to predict how long current market conditions will continue.

Competition for attractive oil permits and concessions and drilling rights is also strong, and we can give no assurance we will be able to compete satisfactorily in acquiring these permits and concessions. Since many major oil companies have publicly indicated their decision to focus on non-U.S. activities, we cannot ensure we will be successful in acquiring any such permits and concessions.

Government Regulation

General

Toreador currently operates solely in France. The oil and natural gas industry is subject to extensive and continually changing regulations on environmental, drilling, production, transportation and sale matters, which can increase the cost of doing business, and consequently, may affect profitability. These laws and regulations may, among other things:

- require acquisition of a permit before drilling commences;
- set the methods of drilling and casing wells;
- restrict the types, quantities and concentrations of various materials that can be released into the environment in connection with drilling and production activities;
- require installation of expensive pollution control equipment;
- require a special license for the transportation of hydrocarbons;
- limit or prohibit construction or drilling activities in certain ecologically sensitive and other protected areas; and
- require remedial measures to mitigate pollution from historical and ongoing operations.

Failure to comply with these laws and regulations or to obtain or comply with permits may result in the assessment of administrative, civil and criminal penalties, imposition of remedial requirements and the imposition of injunctions to force future compliance. See also " — Fiscal Terms and Infrastructure."

[Table of Contents](#)

Our activities are affected by political stability and government regulations relating to foreign investment and the oil and natural gas industry. Changes in these regulations or shifts in political attitudes are beyond our control and may adversely affect our business. Our operations may be affected by government regulations with respect to restrictions on production, price controls, income taxes, expropriation of property, environmental legislation and mine safety.

Our current or future operations, including exploration and development activities on our acreage, require permits from various governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, production, taxes, labor standards, occupational health, waste disposal, toxic substances, land use, environmental protection and other matters. Compliance with these requirements may prove to be difficult and expensive. See "Risk Factors" for further information regarding government regulation.

Environmental

The oil and natural gas industry is subject to extensive and varying environmental regulations in each of the jurisdictions in which we have historically operated or in which we currently, or may in the future, operate. Environmental regulations establish standards respecting health, safety and environmental matters and place restrictions and prohibitions on emissions of various substances produced concurrently with oil and natural gas. These regulations can have an impact on the selection of drilling locations and facilities, potentially resulting in increased capital expenditures. In addition, environmental legislation may require those wells and production facilities to be abandoned and sites reclaimed to the satisfaction of local authorities.

Our operations are subject to various laws and regulations controlling the discharge of materials into the environment or otherwise relating to the protection of the environment. Such laws and regulations not only expose us to liability for our own negligence, but also may expose us to liability for the conduct of others or for our actions that were in compliance with all applicable laws at the time those actions were taken. We may incur significant costs as a result of environmental accidents, such as oil spills, natural gas leaks, ruptures, or discharges of hazardous materials into the environment, including clean-up costs and fines or penalties. Additionally, we may incur significant costs in order to comply with environmental laws and regulations and may be forced to pay fines or penalties if we do not comply. In addition, future climate change regulation, a subject of discussion in many jurisdictions currently, could require us to incur increased operating costs and could adversely affect the price or market demand for the oil that we produce. See "Risk Factors" for further information regarding environmental regulation.

We are committed to complying with environmental and operation legislation wherever we operate.

Permits and Concessions

In order to carry out exploration and development of mineral interests or to place these into commercial production, we are required to obtain certain licenses and concessions from governmental authorities. There can be no guarantee that we will be able to obtain all necessary licenses and concessions that may be required. In addition, such licenses and concessions are subject to change and there can be no assurances that any application to renew any existing licenses or concessions will be approved. See "— Permits, Concessions and Pending Applications" for a description of our permits and concessions, and see "Risk Factors" for further information regarding renewal of such permits and concessions.

Repatriation of Earnings

Currently, there are no restrictions on the repatriation of earnings or capital to foreign entities from France. However, there can be no assurance that any such restrictions on repatriation of earnings or capital from the aforementioned countries or any other country where we may invest will not be imposed in the future.

[Table of Contents](#)

Employees

As of March 12, 2010, we employed 35 full-time employees. None of our employees are represented by unions or covered by collective bargaining agreements. To date, we have not experienced any strikes or work stoppages due to labor problems, and we believe that we have good relations with our employees. As needed, we also utilize the services of independent consultants on a contract basis.

Segment Reporting

See Note 16 in the Notes to Consolidated Financial Statements for information about oil producing activities and operating segments.

Internet Address/Availability of Reports

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are made available free of charge on our website at <http://www.toreador.net> as soon as reasonably practicable after we electronically file such material with, or otherwise furnish it to, the SEC.

Glossary of Selected Oil and Natural Gas Terms

"2D" or "2D SEISMIC." An exploration method of sending energy waves or sound waves into the earth and recording the wave reflections to indicate the type, size, shape, and depth of subsurface rock formations. 2D seismic provides a two dimensional representation along the profile of the line as it was shot. 2D surveys are measured in kilometers or miles.

"3D" or "3D SEISMIC." An exploration method of sending energy waves or sound waves into the earth and recording the wave reflections to indicate the type, size, shape, and depth of subsurface rock formations. 3D seismic lines are shot very close together. This allows for the ability for computers to generate seismic profiles in any direction and form 3D surfaces. 3D surveys are measured in square kilometers or square miles.

"BBL." One stock tank barrel, or 42 U.S. gallons liquid volume, used herein in reference to crude oil or other liquid hydrocarbons.

"BBL/D." Bbl per day.

"BOE." Barrels of oil equivalent.

"DEVELOPED OIL AND GAS RESERVES." Reserves of any category that can be expected to be recovered (i) through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well and (ii) through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well.

"DEVELOPMENT WELL." A well drilled within the proved area of an oil or gas reservoir to the depth of a stratigraphic horizon known to be productive.

"DISCOUNTED PRESENT VALUE." The present value of proved reserves is an estimate of the discounted future net cash flows from each property at the specified date, or as otherwise indicated. Net cash flow is defined as net revenues, after deducting production and ad valorem taxes, less future capital costs and operating expenses, but before deducting federal income taxes. The future net cash flows have been discounted at an annual rate of 10% to determine their "present value." The present value is shown to indicate the effect of time on the value of the revenue stream and should not be construed as being the fair market value of the properties. In accordance with SEC rules, estimates have been made using constant oil and natural gas prices calculated based on unweighted arithmetic average of the first day of

[Table of Contents](#)

the month price during the 12-month period on the specified date and operating costs in effect at the specified date, or as otherwise indicated.

"DRY HOLE." A development or exploratory well found to be incapable of producing either oil or natural gas in sufficient quantities to justify completion as an oil or natural gas well.

"EXPLORATORY WELL." A well drilled to find a new field or to find a new reservoir in a field previously found to be productive of oil or gas in another reservoir.

"GROSS ACRES" or "GROSS WELLS." The total number of acres or wells, as the case may be, in which a working or any type of royalty interest is owned.

"KM." One kilometer.

"MBBL." One thousand bbl.

"MBBLS." One million bbl.

"MBOE." One thousand boe.

"MCF." One thousand cubic feet of natural gas.

"MMCF" One million cubic feet of natural gas.

"NET ACRES." The sum of the fractional working or any type of royalty interests owned in gross acres.

"PERMIT." An area onshore or offshore that comprises a contiguous acreage, or leasehold, position on which an operator drills exploratory and/or development wells. Sometimes designated as a "lease" or "block."

"POSSIBLE RESERVES." Those additional reserves that are less certain to be recovered than probable reserves.

"PROBABLE RESERVES." Those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered.

"PRODUCING WELL" or "PRODUCTIVE WELL." A well that is capable of producing oil or natural gas in economic quantities.

"PROVED RESERVES." The estimated quantities of oil and 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 providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation.

"ROYALTY INTEREST." An interest in an oil and natural gas property entitling the owner to a share of oil and natural gas production free of production costs.

"UNDEVELOPED ACREAGE." Lease acreage on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil and natural gas regardless of whether such acreage contains proved reserves.

"UNDEVELOPED OIL AND GAS RESERVES." Reserves of any category that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

"WORKING INTEREST." The operating interest (not necessarily as operator) that gives the owner the right to drill, produce and conduct operating activities on the property and a share of production, subject to all royalties, overriding royalties and other burdens, and to all exploration, development and operational costs including all risks in connection therewith.

Item 1A. Risk Factors

Risks Related to Our Company

We may require additional capital in the future, which may not be available on favorable terms, if at all.

We may require additional capital in 2010 and beyond to, among other things to execute our business plan, which would entail substantial capital expenditures. Under French law, each of our exploration permits and exploitation concessions require that we commit to expenditures of a certain amount over the period of the applicable permit or concession. Though we consider these amounts discretionary, such expenditures would be required to renew such permits.

We currently have a limited amount of oil production in France, and the revenues from our current production are not expected to be sufficient to cover all of the costs that would be necessary to explore and develop all our existing permits. Accordingly, we will continue to rely, to the extent available, on existing working capital and additional funds obtained from external sources, including potential strategic partners, to cover these costs. If these resources are unavailable, we may be required to curtail our drilling, development and other activities. If we are unable to identify a strategic partner for development of our Paris Basin shale oil acreage, we will be required to delay such development until we are able to secure alternative financing. See " — If we are unable to obtain a strategic partner, we will need to pursue alternatives to implement our proof of concept program, including seeking alternative financing to proceed with, and hiring or engaging third-party personnel with the appropriate technical capabilities to pursue, our proof of concept program."

The amount and timing of our future capital requirements will depend upon a number of factors, including:

- drilling results and costs;
- transportation costs;
- equipment costs and availability;
- marketing expenses;
- oil prices;
- requirements and commitments under existing permits;
- staffing levels and competitive conditions;
- any purchases or dispositions of assets; and
- other factors affecting our business at any given time.

To the extent that our existing capital and borrowing capabilities are insufficient to meet these requirements and cover any losses, we will need to raise additional funds through debt or equity financings, including offerings of our common stock, securities convertible into our common stock or rights to acquire our common stock, or revise our business plan and/or curtail our growth. Any equity or debt financing or additional borrowings, if available at all, may be on terms that are not favorable to us. In addition, the New Convertible Senior Notes limit our ability to incur or increase our debt based on our proved plus probable reserves. Under the terms of the New Convertible Senior Notes, we may not maintain total consolidated net debt, or incur debt, in excess of the product of (x) \$7.00 and (y) the number of barrels of our proved plus probable reserves, except for nonrecourse financing for projects or acquisitions, joint ventures or partnerships and certain other permitted debt. Any securities we issue in future financings may have rights, preferences and privileges that are senior to those of our common stock. If our need for capital arises because of significant losses, the occurrence of these losses may make it more difficult for us to raise the necessary capital. If we cannot raise funds on acceptable terms if and when needed, we may not be able to

take advantage of future opportunities, grow our business or respond to competitive pressures or unanticipated requirements.

Our ability to raise additional capital will depend on the results of our operations and the status of various capital and industry markets at the time we seek such capital. Our failure or inability to obtain any required additional financing on favorable terms could materially and adversely affect our growth, cash flow and earnings, including our ability to meet our capital expenditures budget.

In addition, if we issue additional equity securities, including upon conversion of our existing or any future convertible or similar securities, the value of currently outstanding common stock may be diluted and the trading price of our common stock may be adversely affected. See " — Risks Related to Our Common Stock — We may issue equity securities that may depress the trading price of our common stock and may dilute the interests of our existing stockholders."

We may not be able to maintain or renew our existing exploration permits or exploitation concessions or obtain new ones, which could reduce our proved reserves.

We do not hold title to our properties in France but hold exploration permits and exploitation concessions granted by the French government. Under French law, each exploration permit requires us to commit expenditures of a certain amount of exploration costs and is subject to renewal after the initial term of up to five years. Under French law, each exploitation concession requires a similar commitment of expenditure and is granted for up to 50 years.

We currently hold two exploitation concessions covering two producing oil fields in the Paris Basin — the Neocomian Complex (Chateaufort and St. Firmin Des Bois) and Charmottes fields. The production from these oil fields currently represents substantially all of our revenue. We estimate that, as of December 31, 2009, 95.11% and 89.92% of our proved reserves from the Neocomian Complex and Charmottes fields, respectively, are to be recovered after the expiration of the applicable concession. The Neocomian Complex concessions expire in January 2011, and we have filed renewal applications for each. We have also filed renewal applications for exploration permits that expired in 2009 (Courtenay) or expire in 2010 (Aufferville). These renewal applications are currently pending with the French government.

There can be no assurance that we will be able to renew any of these permits or concessions when they expire, convert exploration permits into exploitation concessions or obtain additional permits or concessions in the future. If we do not satisfy the French government that we have financial and technical capacities necessary to operate under such permits, such permits or concessions may be withdrawn and/or not renewed. If we cannot renew some or all of these permits or concessions when they expire or convert exploration permits into exploitation concessions, we will not be able to include the proved reserves associated with the permit or concession and we will be unable to engage in production to recover reserves, which production currently represents substantially all of our revenue. Any such negative developments with respect to our permits would have a material adverse effect on our ability to conduct our business.

Our indebtedness and near-term debt obligations could materially adversely affect our financial health, limit our ability to finance capital expenditures and future acquisitions and prevent us from executing our business plan.

On February 1, 2010, we had approximately \$32.4 million aggregate principal amount outstanding of our 5.00% Convertible Senior Notes and \$31.6 million outstanding aggregate principal amount of our New Convertible Senior Notes. Our level of indebtedness has, or could have, important consequences to investors, because:

- a substantial portion of our cash flows from operations will have to be dedicated to interest and principal payments and may not be available for operations, working capital, capital expenditures, expansion, acquisitions or general corporate or other purposes;
- it may impair our ability to obtain additional financing in the future for acquisitions, capital expenditures or general corporate purposes;

[Table of Contents](#)

- it may limit our flexibility in planning for, or reacting to, changes in our business and industry; and
- we may be substantially more leveraged than some of our competitors, which may place us at a relative competitive disadvantage and make us more vulnerable to downturns in our business, our industry or the economy in general.

In addition, the terms of our New Convertible Senior Notes restrict, and the terms of any future indebtedness, including any future credit facility, may restrict, our ability to incur additional indebtedness because of debt or financial covenants we are, or may be, required to meet. Under the terms of the New Convertible Senior Notes, we may not maintain total consolidated net debt, or incur debt, in excess of the product of (x) \$7.00 and (y) the number of barrels of our proved plus probable reserves, except for nonrecourse financing for projects or acquisitions, joint ventures or partnerships and certain other permitted debt. Thus, we may not be able to obtain sufficient capital to grow our business or implement our business strategy and may lose opportunities to acquire interests in oil properties or related businesses because of our inability to fund such growth.

Our ability to comply with restrictions and covenants, including those in our New Convertible Senior Notes or in any future credit facility, is uncertain and will be affected by the level of our proved plus probable reserves, the levels of cash flow from our operations, and events or circumstances beyond our control. Our failure to comply with any of the restrictions and covenants could result in a default, which could permit the lender to accelerate repayments and foreclose on the collateral securing the indebtedness.

If we are unable to obtain a strategic partner, we will need to pursue alternatives to implement our proof of concept program, including by seeking alternative financing to proceed with, and hiring or engaging personnel with the appropriate technical capabilities to pursue, our proof of concept program.

We are currently in the process of identifying a potential partner to assist with the proof of concept program for the development of the shale oil play within our Paris Basin acreage. If we are not able to obtain a strategic partner for our proof of concept program for the development of the shale oil play within our Paris Basin acreage, we will need to pursue alternatives to implement our proof of concept program and/or reconsider our planned capital expenditures for the near term. Alternatives to a strategic partnership include seeking alternative financing, hiring or engaging third parties or additional personnel with the appropriate technical capabilities or a joint venture or other arrangement with a service provider. If we are not able to obtain such financing and/or retain such personnel on a timely basis, or at all, it could have a material adverse effect on our operations. We may also need to reconsider our planned capital expenditure program to reduce or eliminate all or a portion of our discretionary expenditures in the near term.

We have incurred net losses in recent years, and there can be no assurance we will be profitable in the future.

Our future financial results are uncertain. We incurred net losses of approximately \$25.4 million, \$108.6 million and \$74.6 million in the years ended December 31, 2009, 2008 and 2007, respectively. Our strategy includes reduction in operational costs and seeking and maintaining an optimal capital structure; however, there can be no assurance that our strategy will be effective or that we will be profitable in the future.

Our financial success depends on our ability to replace our reserves in the future.

Our future success as an oil producer depends upon our ability to find, develop and acquire additional oil reserves that are profitable. Oil reserves are depleting assets, and production of oil from properties declines as reserves are depleted with the rate of decline depending on reservoir characteristics. If we are unable to conduct successful exploration or development activities or acquire properties containing proved reserves, our proved reserves generally will decline as the reserves are produced, and our level of production, revenues and cash flows will be adversely affected. Replacing our reserves through exploration or development activities or acquisitions will require significant capital, which may not be available to us.

[Table of Contents](#)

This risk may be compounded by the fact that as of December 31, 2009, 7.3% of our total estimated proved reserves were classified as undeveloped, which, by their nature, are less certain and will require significant capital expenditures and successful drilling operations.

Since we do not hold title to our properties but rather hold exploration permits and exploitation concessions granted to us by the French government, the SEC may require that a portion of reported proved reserves associated with these permits not be included in our proved reserves.

Rather than holding title to our properties, we hold exploration permits and exploitation concessions that have been granted to us by the French government for a specific time period. We must apply to have these permits renewed and extended in order to continue our exploration and development rights. Although we have historically reported our proved reserves assuming that the permits will be extended in due course, the SEC may take the view that our ability to renew and extend our permits past their current expiration dates is not sufficiently certain for us to include the reserves that may be produced post-expiration in our total proved reserves. Although we have previously been able to provide support to the SEC regarding the likelihood of extension, no assurance can be given that the SEC will allow us to continue to include these additional reserves in our proved reserves.

The loss of the current single purchaser of our oil production could have a material adverse effect on our financial condition and results of operations.

For the year ended December 31, 2009, Total accounted for all of our revenues from oil production in France. Our contract with Total was signed in 1996 (then with Elf Antar) and automatically renews for one-year periods unless notice of termination is given at least six months in advance. If Total determines not to renew this contract, ceases purchasing our oil on terms that are favorable to us or fails to pay us and we are unable to contract with another purchaser, it would have a material adverse effect on our financial condition, future cash flows and the results of operations. This customer concentration may also increase our overall exposure to credit risk.

Hedging activities may require us to make significant payments that are not offset by sales of production and may prevent us from benefiting from increases in oil prices.

We currently, and may in the future, enter into various hedging transactions for a portion of our production in an attempt to reduce our exposure to the volatility of oil prices. In a typical hedge transaction, we will have the right to receive from the counterparty to the hedge the excess of the fixed price specified in the hedge over a floating price based on a market index, multiplied by the quantity hedged. If the floating price exceeds the fixed price, we will be required to pay the counterparty this difference multiplied by the quantity hedged. In such case, we will be required to pay the difference regardless of whether we have sufficient production to cover the quantities specified in the hedge. Significant reductions in production at times when the floating price exceeds the fixed price could require us to make payments under the hedge agreements even though such payments are not offset by sales of production. Hedging also could prevent us from receiving the full advantage of increases in oil prices above the fixed amount specified in the hedge.

We depend on our senior management team and other key personnel. Accordingly, the loss of any of these individuals could adversely affect our business, financial condition and results of operations and future growth.

Our success is largely dependent on the skills, experience and efforts of our senior management and other key personnel. Although we have entered into employment agreements with our Chief Executive Officer and Chief Financial Officer, we can give no assurance that either of these individuals will remain with us. The loss of the services of either of these individuals or other employees with critical skills needed to operate our business could have a negative effect on our business, financial conditions and results of operations and future growth. Our ability to manage our growth, if any, will require us to continue to train, motivate and manage our employees and to attract, motivate and retain additional qualified personnel.

[Table of Contents](#)

Competition for these types of personnel is intense in our industry, and we may not be successful in attracting, assimilating and retaining the personnel required to grow and operate our business profitably.

It may not be possible to serve process on our directors and officers or enforce judgments against them or us.

Many of our directors and executive officers live outside of the United States. Most of the assets of certain of our directors and executive officers and substantially all of our assets are located outside of the United States. As a result, it may not be possible to serve process on such persons in the United States or to enforce judgments obtained in U.S. courts against them based on the civil liability provisions of the securities laws of the United States.

Our operations are in France and we have previously operated in other international jurisdictions and we are subject to political, economic and legal risks and other uncertainties.

Our operations are in France and we have previously operated in other international jurisdictions, including through joint venture arrangements with parties in various international jurisdictions. We are, and have been, subject to the following risks and uncertainties that can affect our international operations adversely:

- the risk of expropriation, nationalization, war, revolution, border disputes, renegotiation or modification of existing contracts, and import, export and transportation regulations and tariffs;
- taxation policies, including royalty and tax increases and retroactive tax claims;
- exchange controls, currency fluctuations and other uncertainties arising out of non-U.S. government sovereignty over international operations;
- laws and policies of the United States affecting foreign trade, taxation and investment;
- the possibility of being subjected to the exclusive jurisdiction of non-U.S. courts in connection with legal disputes and the possible inability to subject non-U.S. persons to the jurisdiction of courts in the United States; and
- the possibility of restrictions on repatriation of earnings or capital from foreign countries.

Further, our non-U.S. operations and international business relationships are subject to laws and regulations that may restrict activities involving restricted countries, organizations, entities and persons that have been identified as unlawful actors or that are subject to U.S. economic sanctions. If we are not in compliance with any such applicable laws and regulations or U.S. economic sanctions, we may be subject to civil or criminal penalties and other remedial measures.

All of our revenues are currently attributable to our properties in the Paris Basin in France. Any disruption in production, development or our ability to produce and sell oil in France would have a material adverse effect on our results of operations or reduce future revenues.

All of our revenues are currently attributable to our properties in the Paris Basin in France. We depend on third parties in France for the transportation and refining of our oil production. Any disruption in production, development or our ability to produce and sell oil in France would have a material adverse effect on our results of operations or reduce future revenues. If production of oil in the Paris Basin were disrupted or curtailed, or in the case of labor or other disruptions affecting French refineries, transportation or other infrastructure, our cash flows and revenues would be significantly reduced.

Our operations are subject to currency fluctuation risks.

We currently have operations involving the U.S. dollar and Euro, and we are subject to fluctuations in the value of the U.S. dollar as compared to the Euro. While our oil sales are calculated on a U.S. dollar basis, our expenditures are in Euro and we are exposed to the risk that the values of our French assets will

[Table of Contents](#)

decrease and that the amounts of our French liabilities will increase. These currency fluctuations, including the recent fluctuations, may adversely affect our results of operations. We do not currently hedge our exposure to currency fluctuations.

We have identified a material weakness in our internal control over financial reporting. Failure to maintain effective internal controls could have a material adverse effect on our operations and our stock price.

We are subject to Section 404 of the Sarbanes-Oxley Act of 2002, which requires an annual management assessment of the effectiveness of our internal control over financial reporting and a report by our independent auditors addressing our internal controls and management's assessment. Effective internal controls are necessary for us to produce reliable financial reports and prevent fraud and other errors in our reporting and recordkeeping.

During the evaluation of disclosure controls and procedures conducted as of December 31, 2009, we identified a material weakness in our internal control over financial reporting. As a result, this annual report on Form 10-K includes an adverse opinion from Grant Thornton LLP, our independent registered public accounting firm, on our internal control over financial reporting. If, as a result of deficiencies in our financial or other internal controls, including the identified material weakness, we have not or cannot provide reliable financial reports or internal recordkeeping or compliance procedures, our business decision or compliance process may be adversely affected, our business and operating results could be harmed, we may be subject to legal penalties or other claims, investors could lose confidence in our reported financial information and the price of our stock could decrease. For a discussion of our internal control over financial reporting and a description of the identified material weakness, see Item 9A, "Controls and Procedures."

In connection with the recent sales of our assets in Turkey, we granted certain significant indemnities to the purchasers of those assets.

In 2005, two separate incidents occurred offshore Turkey in the Black Sea, which resulted in the sinking of the Fallen Structures, as defined below, and the loss of three natural gas wells. We have not been requested, or ordered by any governmental or regulatory body, to remove the Fallen Structures. Therefore, we believe it is unlikely that we will receive such a request or order, and no liability has been recorded. In connection with the 2009 sales of our assets in Turkey we agreed to indemnify each purchaser against and in respect of any claims, liabilities and losses arising from the Fallen Structures. We have also indemnified a third-party vendor for any claims made related to these incidents. We are unable to estimate the potential liability associated with the Fallen Structures. We have also granted certain other indemnities to the purchasers of our assets in Turkey and to the purchaser of our assets in Hungary in connection with the 2009 sales. Though certain of these indemnities are subject to limitations, including limitations on the time period during which claims may be asserted and the amounts for which we are liable, there can be no assurance that we will not incur future liabilities to the purchasers in connection with these transactions or that the amount of such liabilities will not be material or will not have a material adverse effect on our financial condition.

We face certain litigation risks, and unfavorable results of legal proceedings could have a material adverse effect on us.

We are party to certain lawsuits. Regardless of the merits of any claim, litigation can be lengthy, time-consuming, expensive, and disruptive to normal business operations and may divert management's time and resources, which may have a material adverse effect on our business, financial condition and results of operations, including our cash flow. The results of complex legal proceedings are difficult to predict. Should we fail to prevail in these matters, or should any of these matters be resolved against us, we may be faced with significant monetary damages, which also could materially adversely affect our business, financial condition and results of operations, including our cash flow.

Acquisition prospects may be difficult to assess and may pose additional risks to our operations.

We continue to evaluate and, where appropriate, intend to pursue acquisition opportunities on terms we consider favorable. In particular, we consider acquisitions of businesses or interests that will complement and allow us to expand our exploration activities; however, currently, we have no binding commitments related to any acquisitions.

Future acquisitions could pose numerous additional risks to our operations and financial results, including:

- problems integrating the purchased operations, personnel or technologies;
- unanticipated costs;
- diversion of resources and management attention from our core business;
- entry into regions or markets in which we have limited or no prior experience; and
- potential loss of key employees, particularly those of any acquired organization.

Risks Related to Our Industry

A decline in oil gas prices will have an adverse impact on our operations, and recent economic conditions have negatively impacted oil prices.

Our future revenues, cash flows and profitability are substantially dependent upon prevailing prices for oil. In recent years, oil prices and, therefore, the level of drilling, exploration, development and production, have been extremely volatile. Any significant or extended decline in oil prices will have a material adverse effect on our business, financial condition and results of operations and could impair access to future sources of capital. Lower prices may make it uneconomical for us to increase or even continue current production levels of oil.

Volatility in the oil industry results from numerous factors, over which we have no control, including:

- the level of oil prices, expectations about future oil prices and the ability of international cartels to set and maintain production levels and prices;
- the cost of exploring for, producing and transporting oil;
- the domestic and foreign supply and demand of oil;
- domestic and foreign governmental regulation;
- the level and price of foreign oil transportation;
- available pipeline and other oil transportation capacity;
- weather and other natural conditions;
- international political, military, regulatory and economic conditions, particularly in oil-producing regions;
- the level of consumer demand;
- the price and availability of alternative fuels;
- the effect of worldwide energy conservation measures; and
- the ability of oil and natural gas companies to raise capital.

Significant declines in oil prices may:

- impair our financial condition, liquidity, ability to finance planned capital expenditures and results of operations;

[Table of Contents](#)

- reduce the amount of oil we can produce economically;
- cause us to delay or postpone some of our capital projects;
- reduce our revenues, operating income and cash flow;
- reduce the carrying value of our oil properties; and
- limit our access to sources of capital.

Oil prices rose to unprecedented levels during 2008. Then in September 2008 the credit and equity markets started to deteriorate, which continued further in the beginning of 2009 before recovering somewhat later in the year. In the first half of 2009 we experienced on average a more than 60% decline in oil prices from the highest point received in 2008. These severe economic conditions caused us to reevaluate our capital expenditure program for 2009 and how we will operate on a go-forward basis. Our internally generated cash flow and cash on hand historically have not been sufficient to fund all of our expenditures, and we have recently relied on the sales of noncore assets to provide us with additional capital. Though average oil prices increased by approximately 40% from the six months ended June 30, 2009 to the six months ended December 31, 2009, oil prices are, and we expect will continue to be, volatile. The results of our operations are highly dependent upon the prices received from our oil production, which are dependent on numerous factors beyond our control. Accordingly, significant changes to oil prices are likely to have a material impact on our financial condition, results of operation, cash flows and revenue.

Competition in the oil and natural gas industry is intense, and many of our competitors have greater financial, technological and other resources than we do.

We operate in the highly competitive areas of oil exploration, development, production, and acquisition activities. The oil and natural gas industry is characterized by rapid and significant technological advancements and introductions of new products and services using new technologies. We face intense competition from independent, technology-driven companies as well as from both major and other independent oil and natural gas companies in each of the following areas:

- seeking to acquire desirable exploration permits or exploitation concessions;
- marketing our oil production;
- integrating new technologies; and
- seeking to acquire the equipment and expertise necessary to develop and operate our acreage.

Many of our competitors have financial, technological and other resources substantially greater than ours, and some of them are fully integrated oil and natural gas companies. These companies may be able to pay more for development prospects and productive oil and natural gas acreage and may be able to define, evaluate, bid for and purchase a greater number of permits or concessions than our financial or human resources permit. Further, these companies may enjoy technological advantages over us and may be able to implement new technologies more rapidly than we can. Our ability to develop and exploit our oil acreage and to acquire additional acreage in the future will depend upon our ability to successfully conduct operations, implement advanced technologies, evaluate and select suitable acreage and consummate transactions in this highly competitive environment.

The unavailability or high cost of drilling rigs, equipment, supplies, insurance, personnel and oil field services could adversely affect our ability to execute our exploration and development plans on a timely basis and within our budget.

Our industry is cyclical and, from time to time, there could be a shortage of drilling rigs, equipment, supplies, insurance, qualified personnel or oil field services. During these periods, the costs and delivery times of rigs, equipment and supplies are substantially greater. In addition, the demand for, and wages of,

qualified drilling rig crews rise as the number of active rigs in service increases. When oil and gas prices are high, the demand for oilfield services rises and the cost of these services increases.

We are subject to complex laws and regulations that could adversely affect the cost, manner or feasibility of conducting our operations.

Our operations are subject to complex and stringent laws and regulations, including the French Mining Code. In order to conduct our operations in compliance with these laws and regulations, we must obtain and maintain numerous permits, concessions approvals and certificates from various governmental authorities. We may incur substantial costs in order to maintain compliance with these existing laws and regulations. In addition, our costs of compliance may increase if existing laws and regulations are revised or reinterpreted, or if new laws and regulations become applicable to our operations. For instance, we may be unable to obtain all necessary permits, concessions approvals and certificates, or renewals thereof, for proposed projects. Alternatively, we may have to incur substantial expenditures to obtain, maintain or renew authorizations to conduct existing projects. If a project is unable to function as planned due to changing requirements or public opposition, we may suffer expensive delays, extended periods of non-operation or significant loss of value in a project. All such costs may have a negative effect on our business and results of operations.

Our business exposes us to liability and extensive environmental regulation.

Our operations are subject to various laws and regulations controlling the discharge of materials into the environment or otherwise relating to the protection of the environment. Such laws and regulations not only expose us to liability for our own negligence, but also may expose us to liability for the conduct of others or for our actions that were in compliance with all applicable laws at the time those actions were taken. We may incur significant costs as a result of environmental accidents, such as oil spills, natural gas leaks, ruptures, or discharges of hazardous materials into the environment, including clean-up costs and fines or penalties. Additionally, we may incur significant costs in order to comply with environmental laws and regulations and may be forced to pay fines or penalties if we do not comply.

For example, in 2005, two separate incidents occurred offshore Turkey in the Black Sea, which resulted in the sinking of two caissons, or the Fallen Structures, and the loss of three natural gas wells. We have not been requested or ordered by any governmental or regulatory body to remove the Fallen Structures. Therefore, we believe that the likelihood of receiving such a request or order is remote, and no liability has been recorded. In connection with the 2009 sales of our assets in Turkey, we agreed to indemnify each purchaser against and in respect of any claims, liabilities and losses arising from the Fallen Structures. We have also indemnified a third-party vendor for any claims made related to these incidents. See " — Risks Related to Our Company — In connection with the recent sales of our assets in Turkey, we granted certain significant indemnities to the purchasers of those assets."

In addition, future climate change regulation, a subject of discussion in many jurisdictions currently, could require us to incur increased operating costs and could adversely affect the price or market demand for the oil that we produce.

Terrorist activities may adversely affect our business.

Terrorist activities, including events similar to those of September 11, 2001, or armed conflict involving the United States, France or any other country in which we may hold interests, may adversely affect our business activities and financial condition. If events of this nature occur and persist, the resulting political and social instability could adversely affect prevailing oil prices and cause a reduction in our revenues. In addition, oil production facilities, transportation systems and storage facilities could be direct targets of terrorist attacks, and our operations could be adversely impacted if infrastructure integral to our operations is destroyed or damaged. Costs associated with insurance and other security measures may

[Table of Contents](#)

increase as a result of these threats, and some insurance coverage may become more difficult to obtain, if available at all.

We face numerous risks in finding commercially productive oil reservoirs, including delays in our drilling operations as a result of factors that are beyond our control and that may not be covered by insurance.

Our drilling will involve numerous risks, including the risk that no commercially productive oil reservoirs will be encountered. We may incur significant expenditures for the identification and acquisition of properties and for the drilling and completion of wells. The cost of drilling, completing and operating wells is often uncertain, and drilling operations may be curtailed, delayed or canceled as a result of a variety of factors, including:

- unexpected drilling conditions;
- fire, explosions and blowouts;
- pressure or irregularities in formations;
- environmental accidents such as oil spills, natural gas leaks, ruptures or discharges of toxic gases, brine or well fluids into the environment (including groundwater contamination);
- equipment failures or accidents;
- weather conditions; and
- shortages or delays in the delivery of equipment.

Any of these events could adversely affect our ability to conduct our operations or cause substantial losses, including:

- 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;
- penalties and suspension of operations; and
- attorneys' fees and other expenses incurred in the prosecution or defense of litigation.

As is customary in our industry, we maintain insurance against some, but not all, of these risks. We cannot assure investors that our insurance will be adequate to cover these losses or liabilities. We do not carry business interruption insurance. Losses and liabilities arising from uninsured or underinsured events may have a material adverse effect on our financial condition and operations. We carry well control insurance for our drilling operations. Our coverage includes blowout protection and liability protection on our wells.

The producing wells in which we have an interest occasionally experience reduced or terminated production. These curtailments can result from mechanical failures, contract terms, pipeline and processing plant interruptions, market conditions and weather conditions. These curtailments can last from a few days to many months and may significantly reduce our revenues.

In addition, any use by us of 3D seismic and other advanced technology to explore for oil requires greater predrilling expenditures than traditional drilling methodologies. While we use advanced technology in our operations, this technology does not allow us to know conclusively, prior to drilling a well, that oil is present or economically producible.

[Table of Contents](#)

In addition, as a "successful efforts" company, we account for unsuccessful exploration efforts, i.e., the drilling of "dry holes," as an expense of operations that impacts our earnings. Significant expensed exploration charges in any period would materially adversely affect our earnings for that period and could cause our earnings to be volatile from period to period.

Reserve estimates depend on many assumptions that may turn out to be inaccurate.

The process of estimating oil reserves is complex. It requires interpretations of available technical data and various assumptions, including assumptions relating to economic factors. Any material inaccuracies in our reserve estimates or underlying assumptions could materially affect the quantities and present values of our reserves. In order to prepare these estimates, we must project production rates and timing of development expenditures. We must also analyze available geological, geophysical, production and engineering data, and the extent, quality and reliability of this data can vary. The process also requires economic assumptions relating to matters such as oil prices, drilling and operating expenses, capital expenditures, taxes and availability of funds.

Actual future production, oil prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil reserves most likely will vary from our estimates. Any significant variance could materially affect the estimated quantities and pre-tax net present value of reserves incorporated by reference in this prospectus supplement. In addition, we may adjust estimates of proved reserves to reflect production history, results of exploration and development, prevailing oil prices and other factors, many of which are beyond our control.

You should not assume that the present value of our proved reserves is the current market value of our estimated oil reserves.

You should not assume that the pre-tax net present value of our proved reserves is the current market value of our estimated oil reserves. In accordance with the revised SEC requirements, we base the pre-tax net present value of future net cash flows from our proved reserves on 12-month average prices and costs on the date of the estimate. Actual future prices, costs, and the volume of produced reserves may differ materially from those used in the pre-tax net present value estimate and may be affected by factors such as:

- supply of and demand for oil;
- actual prices we receive for oil;
- our actual operating costs;
- the amount and timing of our capital expenditures;
- the amount and timing of actual production; and
- changes in governmental regulations or taxation.

The timing of both our production and our incurrence of expenses in connection with the development and production of our properties will affect the timing of actual future net cash flows from proved reserves, and thus their actual present value. In addition, the 10% discount factor we use when calculating discounted future net cash flow, which is required by the SEC, may not be the most appropriate discount factor based on interest rates in effect from time to time and risks associated with us or the oil and gas industry in general.

Risks Related to Our Common Stock

Our stock's public trading price has been volatile, which may depress the trading price of our common stock.

Our stock price is subject to significant volatility. We operate in a price-sensitive industry, and there is often significant volatility in the market price of common stock irrespective of company performance. As a result, our high and low stock prices for the twelve months ended March 12, 2010 were \$13.69 and \$2.39,

[Table of Contents](#)

respectively. Fluctuations in the price of our common stock may be exacerbated by conditions in the energy and oil and natural gas industries or conditions in the financial markets generally.

Our common stock is quoted on The NASDAQ Global Market under the symbol "TRGL." However, daily trading volumes for our common stock are, and may continue to be, relatively small compared to many other publicly traded securities. It may be difficult for investors to sell their shares of common stock in the public market at any given time at prevailing prices, and the price of our common stock may, therefore, be volatile.

Numerous factors, including many over which we have no control, may have a significant impact on the market price of our common stock, including, among other things:

- current events affecting the political, economic and social situation in the United States and France;
- trends in our industry and the markets in which we operate;
- changes in financial estimates and recommendations by securities analysts;
- acquisitions and financings by us or our competitors;
- quarterly variations in operating results;
- litigation or governmental action involving or affecting us;
- volatility in exchange rates between the U.S. dollar and the Euro;
- the operating and stock price performance of other companies that investors may consider to be comparable; and
- purchases or sales of blocks of our securities.

In addition, the stock market in recent years has experienced extreme price and trading volume fluctuations that often have been unrelated or disproportionate to the operating performance of individual companies. These broad market fluctuations may adversely affect the price of our common stock, regardless of our operating performance. In addition, sales of substantial amounts of our common stock in the public market, or the perception that those sales may occur, could cause the market price of our common stock to decline. Furthermore, stockholders may initiate securities class action lawsuits if the market price of our stock drops significantly, which may cause us to incur substantial costs and could divert the time and attention of our management. These factors, among others, could significantly depress the price of our common stock.

We do not intend to pay cash dividends on our common stock in the foreseeable future.

We currently intend to continue our policy of retaining earnings to finance the growth of our business. As a result, we do not anticipate paying cash dividends on our common stock in the foreseeable future. In addition, the terms of any future credit facility may restrict our ability to pay dividends on our common stock.

We may issue equity securities, including upon conversion of existing securities, that may depress the trading price of our common stock and may dilute the interests of our existing stockholders.

Sales or issuances of common stock or securities convertible into our common stock or the issuance of securities senior to our common stock may depress the trading price of our common stock. We may not have the ability to issue new common stock or securities convertible into common stock due to the decline in the equity market and our share price.

Any issuance of equity securities, including the issuance of shares upon conversion of our 5.00% Convertible Senior Notes or our New Convertible Senior Notes, could dilute the interests of our existing stockholders and could substantially decrease the trading price of our common stock, the 5.00%

[Table of Contents](#)

Convertible Senior Notes and the New Convertible Senior Notes. The terms of the New Convertible Senior Notes provide that the conversion rate be adjusted for certain securities offerings conducted prior to October 1, 2010 if 120% of the offering price in such offering is less than the then current conversion price. Thus, because we sold shares in the February 2010 offering at \$8.50 per share, the conversion price of the New Convertible Senior Notes was adjusted to approximately \$10.20 per share, representing 120% of the public offering price of the offering. Such adjustment will result in further dilution to our stockholders, if and when such notes are converted. The conversion price of the New Convertible Senior Notes will not be further adjusted under such provision in the indenture because the proceeds from the offering were in excess of \$20 million. Under the terms of the indenture, we will not be required to issue shares of common stock upon conversion of the aggregate principal amount of the New Convertible Senior Notes that would exceed 19.9% of our outstanding shares of common stock or otherwise require shareholder approval.

We may issue common stock or securities convertible into our common stock in the future for a number of reasons, including to finance our operations and business strategy, to adjust our ratio of debt to equity, to satisfy our obligations upon the exercise of outstanding warrants or options or the conversion of debentures, or for other reasons.

We have an effective shelf registration from which additional shares of our common stock and other securities can be issued. We may not be able to sell shares of our common stock or other securities at a price per share that is equal to or greater than the price per share paid by our current shareholders. If the price per share at which we sell additional shares of our common stock or related securities in future transactions is less than the price per share at which we have sold shares in the past, shareholders will suffer a dilution in their investment.

Provisions in the indentures for the 5.00% Convertible Senior Notes and the New Convertible Senior Notes and our charter and Delaware law could discourage an acquisition of us by a third party, even if the acquisition would be favorable to holders of our common stock.

If a "change in control" (as defined in the indentures for the 5.00% Convertible Senior Notes and the New Convertible Senior Notes) occurs, holders of notes will have the right, at their option, to require us to repurchase all or a portion of their notes. In the event of certain "fundamental changes" (as defined in the indentures for the 5.00% Convertible Senior Notes and the New Convertible Senior Notes), we also may be required to increase the conversion rate applicable to the notes surrendered for conversion upon the fundamental change. In addition, the indentures for the 5.00% Convertible Senior Notes and the New Convertible Senior Notes prohibit us from engaging in certain mergers or acquisitions unless, among other things, the surviving entity assumes our obligations under the notes.

Our charter authorizes our Board of Directors to set the terms of preferred stock, and our bylaws limit stockholder proposals at meetings of stockholders. In addition, Delaware law contains provisions that impose restrictions on business combinations with interested parties. Because of these provisions of our charter and bylaws and of Delaware law, persons considering unsolicited tender offers or other unilateral takeover proposals may be more likely to negotiate with our Board of Directors rather than pursue non-negotiated takeover attempts. As a result, these provisions may make it more difficult for our stockholders to benefit from transactions that are opposed by an incumbent Board of Directors.

The personal liability of our directors for monetary damages for breach of their fiduciary duty of care is limited by the Delaware General Corporation Law and by our certificate of incorporation.

The Delaware General Corporation Law allows corporations to limit available relief for the breach of directors' duty of care to equitable remedies such as injunction or rescission. Our certificate of incorporation limits the liability of our directors to the fullest extent permitted by Delaware law.

[Table of Contents](#)

Specifically, our directors will not be personally liable for monetary damages for any breach of their fiduciary duty as a director, except for liability:

- for any breach of their duty of loyalty to the company or our stockholders;
- for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- under provisions relating to unlawful payments of dividends or unlawful stock repurchases or redemptions; and
- for any transaction from which the director derived an improper personal benefit.

This limitation may have the effect of reducing the likelihood of derivative litigation against directors, and may discourage or deter stockholders or management from bringing a lawsuit against directors for breach of their duty of care, even though such an action, if successful, might otherwise have benefited our stockholders.

We have the ability to issue "blank check" preferred stock, which, if issued, could affect the rights of holders of our common stock.

Our charter authorizes our Board of Directors, subject to the rules of The NASDAQ Global Market, to issue up to four million shares of preferred stock and to set the terms of the preferred stock without seeking stockholder approval. The terms of such preferred stock may adversely impact the dividend and liquidation rights of holders of our common stock.

ITEM 1B. *Unresolved Staff Comments*

None.

ITEM 2. *Properties (see Items 1 and 2. Business and Properties)*

ITEM 3. *Legal Proceedings*

On October 16, 2003, we entered into an agreement, or the Netherby Agreement, with Phillip Hunnisett and Roy Barker, or Hunnisett and Barker, pursuant to which Hunnisett and Barker agreed to post the collateral required by the Turkish government for Madison Oil Turkey Inc. (a Liberian company later reincorporated in the Cayman Islands as Toreador Turkey Limited) to retain its 36.75% interest in relation to eight offshore exploration SASB licenses in exchange for a 1.5% gross overriding royalty interest, or the Overriding Royalty, on the net value to Madison Oil Turkey of all future production, if any, deriving from Madison's interest in such SASB licenses. Since March 2009, we have corresponded with Hunnisett and Barker regarding a dispute over the compensation payable by us to Hunnisett and Barker under the Netherby Agreement as a result of Toreador Turkey's sale of a 26.75% interest in the SASB licenses to Petrol Ofisi in March 2009, or the Netherby Payment Amount. Hunnisett and Barker have contended that the Netherby Payment Amount could be up to \$10.4 million; however, we do not believe that Hunnisett and Barker are entitled to such amount. There has been subsequent correspondence regarding a dispute as to whether an agreement between the parties had been reached regarding the Netherby Payment Amount; Hunnisett and Barker's contention is that such agreed Netherby Payment Amount was \$7.2 million. We do not believe that any such agreement was reached, and we do not believe that Hunnisett and Barker are entitled to such amount. We intend to vigorously defend ourselves against any claim for payment of an amount in excess of the amount to which we believe that Hunnisett and Barker are entitled. We have since completed the sale of Toreador Turkey Ltd., including with it Toreador Turkey's remaining 10% interest in the SASB license, to Tiway Oil, or Tiway. In connection with the sales referred to above, we have agreed to indemnify Petrol Ofisi and Tiway against and in respect of any and all claims, liabilities, and losses arising from the Overriding Royalty. As of December 31, 2009, we have accrued approximately \$870,000 as a contingent liability for these claims.

[Table of Contents](#)

On June 17, 2009, The Scowcroft Group, Inc., or Scowcroft, filed a complaint in the United States District Court for the District of Columbia against us. The complaint alleges that we breached a contract, or the Scowcroft Contract, between Scowcroft and us relating to the sale of our interests in the SASB and that Scowcroft is entitled to a success fee thereunder as a result of the sale of our interests in the SASB to Petrol Ofisi in March 2009. The complaint also alleges unjust enrichment/quantum meruit and fraud. Scowcroft is seeking damages in the amount of \$2 million plus interest, costs and expenses. On July 24, 2009, we filed a motion to dismiss the complaint. The district court denied our motion to dismiss the action on October 26, 2009. On November 30, 2009, we filed an answer to the complaint. There was an initial scheduling conference in the matter on March 12, 2010. At the hearing the Court signed The Scowcroft Group's proposed protective order (which permits the parties to mark appropriate documents for confidential treatment), ordered that The Scowcroft Group produce its documents by March 15, 2010, suspended further discovery for 60 days while the parties mediate with a Magistrate Judge and set the next status conference for May 21, 2010, at which time the Court indicated that it will set a schedule if the case is not settled. We believe that we have defenses to Scowcroft's claims and intend to continue vigorously defending ourselves.

On January 25, 2010, we received a claim notice from Tiway under the Share Purchase Agreement, dated September 30, 2009, among us, Tiway Oil BV and Tiway relating to the sale of Toreador Turkey Ltd. in respect of a third-party claim asserted by Petrol Ofisi against Toreador Turkey Ltd. in the amount of TRY 7.6 million (\$5.1 million), for which Tiway alleges we are liable for an estimated TRY 2.1 million (\$1.4 million). No formal legal evaluation can be made at this time as to the extent of the Company's liability, if any.

From time to time, we are named as a defendant in other legal proceedings arising in the normal course of business. In our opinion, the final judgment or settlement, if any, that may be awarded with any suit or claim would not have a material adverse effect on our financial position.

PART II**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities****Common Stock**

Our shares of common stock, par value \$.15625 per share, are traded on the Nasdaq Global Market under the trading symbol "TRGL." The following table sets forth the high and low sale prices per share for the common stock for each quarterly period during the past two fiscal years as reported by the Nasdaq Global Market based upon quotations that reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

	High	Low
2009:		
Fourth quarter	\$ 11.58	\$ 7.60
Third quarter	10.79	4.50
Second quarter	7.26	2.39
First quarter	4.74	1.96
2008:		
Fourth quarter	\$ 9.67	\$ 2.84
Third quarter	10.15	6.45
Second quarter	10.49	7.40
First quarter	10.58	6.15

As of March 12, 2010, there were 24,941,155 shares of common stock outstanding and held of record by approximately 359 holders (inclusive of those brokerage firms, clearing houses, banks and other nominee holders, holding common stock for clients, with each such nominee being considered as one holder).

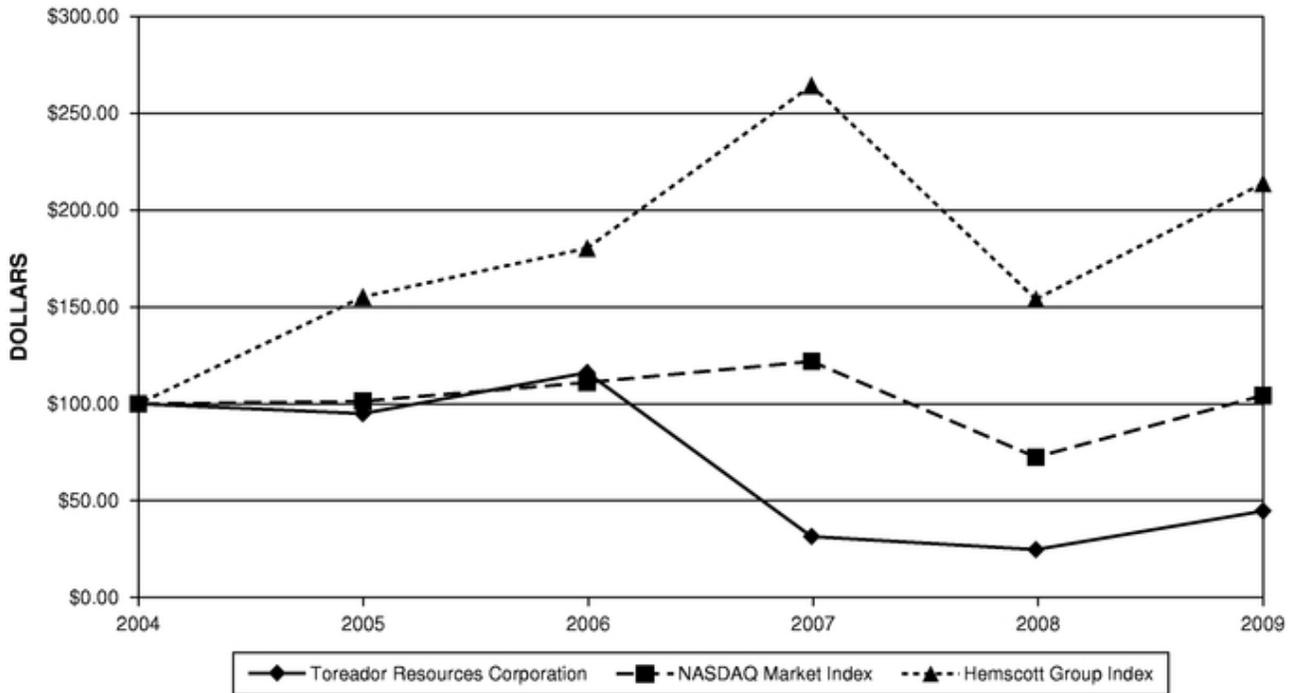
Dividends on the common stock may be declared and paid out of funds legally available when and as determined by our board of directors. Our board of directors plans to continue its policy of holding and investing corporate funds on a conservative basis, retaining earnings to finance the growth of its business. We did not declare or pay any cash dividends on our common stock in 2008 or 2009, and we do not anticipate paying cash dividends on our common stock in the foreseeable future.

During 2009 and 2008, there were no equity securities issued pursuant to transactions exempt from the registration requirements under the Securities Act of 1933, as amended, that were not disclosed previously in Current Reports on Form 8-K or Quarterly Reports on Form 10-Q.

For the three months ended December 31, 2009, we did not repurchase any shares of our common stock. See "Liquidity and Capital Resources — 5.00% Convertible Senior Notes Due 2025" for a discussion of repurchases of our 5.00% Convertible Senior Notes.

Below is a line graph comparing the 5-year cumulative total stockholder return on our common stock with the Nasdaq Market Index and the Hemscott Group Index (Independent Oil & Gas Companies):

**COMPARISON 5-YEAR CUMULATIVE TOTAL RETURN
AMONG TOREADOR RESOURCES CORP.,
NASDAQ MARKET INDEX AND HEMSCOTT GROUP INDEX**



ASSUMES \$100 INVESTED IN JAN. 01, 2005
ASSUMES DIVIDEND REINVESTED
FISCAL YEAR ENDING DEC. 31, 2009

Item 6. Selected Financial Data

The following selected financial information (which is not covered by the report of an independent registered public accounting firm) is summarized from our results of operations for the five-year period ended December 31, 2009 as well as selected consolidated balance sheet data as of December 31, 2009, 2008, 2007, 2006 and 2005 and should be read in conjunction with the consolidated financial statements and the notes thereto included herewith.

On June 14, 2007, the Board of Directors authorized management to sell all our oil and natural gas properties in the United States. The sale of these properties completed the divestiture of the Company's non-core U.S. assets and allowed Toreador to focus exclusively on its non-U.S. operations. The sale was closed on September 1, 2007 for \$19.1 million, which resulted in a pre-tax gain of \$9.2 million.

In the fourth quarter of 2008 and during the first quarter of 2009, Toreador farmed out or sold all of its working interests in Romania to three different companies and closed its office; thus, we no longer have any operational involvement in Romania. This resulted in a gain of \$5.8 million, which was recorded in the first quarter of 2009.

On March 3, 2009 we completed the sale of a 26.75% interest in the South Akcakoca Sub-Basin (SASB) project associated licenses located in the Black Sea offshore Turkey, to Petrol Ofisi for \$55 million. In accordance with the revised assignment announced on February 3, 2009, \$50 million of the proceeds was paid by Petrol Ofisi on March 3, 2009, and the remaining \$5 million was paid on September 1, 2009. There was no gain or loss resulting from this sale.

On September 30, 2009, the Company entered into a Share Purchase Agreement (the "Share Purchase Agreement") with Tiway Oil BV, a company organized under the laws of the Netherlands ("Tiway"), and Tiway Oil AS, a company organized under the laws of Norway, pursuant to which the Company agreed to sell 100% of the outstanding shares of Toreador Turkey Ltd. ("Toreador Turkey") to Tiway for total consideration consisting of: (1) a cash payment of \$10.5 million to be paid at closing, (2) exploration success payments dependent upon certain future commercial discoveries as provided in the Share Purchase Agreement, up to a maximum aggregate consideration of \$40 million, and (3) future quarterly 10% pre-tax net profit interest payments if a field goes into production that was discovered by an exploration well drilled within four years of closing on certain of the licenses then still held by Tiway. The sale of Toreador Turkey was completed on October 7, 2009 and resulted in a gain of \$1.8 million.

On September 30, 2009, the Company entered into a Quota Purchase Agreement (the "Quota Purchase Agreement") with RAG (Rohöl-Aufsuchungs Aktiengesellschaft), a corporation organized under the laws of Austria ("RAG"), pursuant to which the Company agreed to sell 100% of its equity interests in Toreador Hungary Limited ("Toreador Hungary") to RAG for total consideration consisting of (1) a cash payment of US\$5.4 million (€3.7 million) paid at closing, (2) US\$435,000 (€300,000), which was held back subject to a post-closing adjustment and was paid to us on November 5, 2009 and (3) a contingent payment of US\$2.9 million (€2 million) to be paid upon post-transaction completion of agreements relating to certain assets of Toreador Hungary. The sale of Toreador Hungary was completed on September 30, 2009 and resulted in a loss of \$4.1 million.

[Table of Contents](#)

The results of operations of assets in the United States, Turkey, Hungary and Romania have been presented as discontinued operations in the accompanying consolidated statements of operations.

	Years Ended December 31,				
	2009	2008	2007	2006	2005
(Amounts in thousands, except per share amounts)					
Operating Results:					
Revenues	\$ 19,236	\$ 34,150	\$ 25,907	\$ 27,294	\$ 20,594
Costs and expenses	(35,415)	(32,586)	(29,473)	(20,552)	(17,296)
Operating income (loss)	(16,179)	1,564	(3,566)	6,742	3,298
Other income (expense)	397	(3,082)	(2,384)	3,373	19
Income (loss) from continuing operations before income tax	(15,782)	(1,518)	(5,950)	10,115	3,317
Income tax benefit (provision)	450	(5,502)	1,402	(3,236)	2,665
Income (loss) from continuing operations, net of tax	(15,332)	(7,020)	(4,548)	6,879	5,982
Income (loss) from discontinued operations, net of tax	(10,080)	(101,585)	(69,873)	(4,301)	4,613
Dividends on preferred shares	—	—	(162)	(162)	(684)
Income (loss) available to common shares	\$ (25,412)	\$ (108,605)	\$ (74,583)	\$ 2,416	\$ 9,911
Basic income (loss) available to common shares per share	\$ (1.24)	\$ (5.48)	\$ (4.07)	\$ 0.16	\$ 0.69
Diluted income (loss) available to common shares per share	\$ (1.24)	\$ (5.48)	\$ (4.07)	\$ 0.15	\$ 0.66
Weighted average shares outstanding					
Basic	20,564	19,831	18,358	15,527	14,213
Diluted	20,564	19,831	18,358	15,884	15,140
Balance Sheet Data:					
Working capital	\$ (30,193)	\$ 73,286	\$ 203,591	\$ 188,029	\$ 168,802
Oil and natural gas properties, net	74,621	72,753	80,983	71,663	60,967
Oil and natural gas properties held for sale, net	—	91,959	190,968	179,352	77,191
Total assets	97,155	207,156	323,111	317,204	261,814
Debt, including current portion	54,616	110,275	116,250	112,800	92,060
Stockholders' equity	6,137	52,560	163,825	147,151	132,359
Cash Flow Data:					
Net cash provided by (used in) operating activities	\$ (7,345)	\$ 16,766	\$ (12,434)	\$ 122	\$ (138)
Capital expenditures for oil and natural gas property and equipment, including acquisitions	3,386	(770)(1)	3,824	5,883	18,350
Capital expenditures for oil and natural gas property and equipment held for sale	4,528	11,472	86,820	99,282	31,813

(1) Due to overaccrual in 2007

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain of the matters discussed under the captions "Business and Properties," "Legal Proceedings," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and elsewhere in this annual report may constitute "forward-looking" statements for purposes of the Securities Act of 1933, and the Securities Exchange Act of 1934 and, as such, may involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. When used in this report, the words "anticipates," "estimates," "plans," "believes," "continues," "expects," "projections," "forecasts," "intends," "may," "might," "could," "should," and similar expressions are intended to be among the statements that identify forward-looking statements. Various factors that could cause the actual results, performance or achievements to differ materially from our expectations are disclosed in this report ("Cautionary Statements"), including, without limitation, those statements made in conjunction with the forward-looking statements included under the captions identified above and otherwise herein. All written and oral forward-looking statements attributable to us are expressly qualified in their entirety by the Cautionary Statements.

Executive Overview

We are an independent energy company engaged in the exploration and production of crude oil with interests in developed and undeveloped oil properties in the Paris Basin, France. We are currently focused on the development of our conventional fields and the exploitation of the prospective shale oil play within our Paris Basin acreage position.

We currently operate solely in the Paris Basin, which covers approximately 170,000 km² of northeastern France, centered 50 to 100 km east and south of Paris. At December 31, 2009, we held interests in approximately 750,000 gross exploration acres. According to Gaffney, Cline & Associates Ltd, an independent petroleum and geological engineering firm, or Gaffney Cline, as of December 31, 2009, our proved reserves were 5.8 MBbls, our proved plus probable reserves were 9.1 MBbls and our proved plus probable plus possible reserves were 14.3 MBbls. Our production for 2009 averaged approximately 900 bbl/d from two conventional oilfield areas in the Paris Basin — the Neocomian Complex and Charmottes fields. As of December 31, 2009, production from these oil fields represented substantially all of our revenue. We intend to maintain production from these mature assets using suitable enhanced oil recovery techniques. In addition to this production base, we have identified several additional conventional exploration targets. We received well results on the La Garenne, the first of these targets, in January 2010. Following a more detailed analysis of the data, we intend to formulate a development plan for the field.

We are also currently focused on exploiting our shale oil acreage in the Paris Basin. Our current priority is to execute a proof of concept program by drilling, completing and testing three pilot wells in the second half of 2010, subject to approval of drilling by the French government, for which the Company intends to submit an application by the end of March 2010. The Company has commenced a process to identify a potential partner to assist with our proof of concept program.

Our management team, Board of Directors and strategy underwent a significant transformation in 2009. In January 2009, we appointed a new Chief Executive Officer and three new directors (the CEO, Non-Executive Chairman and Non-Executive Vice Chairman), and in September 2009, we appointed a new Chief Financial Officer and Commercial Director. We improved operational efficiencies and intend to reduce general and administrative costs and continue to focus on maintaining efficient operations. We moved our corporate headquarters from Dallas, Texas to Paris, France and we expect to achieve savings of general and administrative expense due to a consolidation of job functions. Based on our budget for 2010, we estimate that these measures could result in a decrease of general and administrative expenses of approximately 50% in 2010 (excluding exceptional items).

[Table of Contents](#)

In addition, in 2009, the Company redirected its corporate and operational focus to France, completing our exit of Romania and exiting Hungary and Turkey. In the fourth quarter of 2008 and during the first quarter of 2009, Toreador farmed out or sold all of its working interests in Romania to three different companies and closed its office; thus, we no longer have any operational involvement in Romania. On March 3, 2009, we sold a 26.75% interest in our major Turkish asset, the South Akcakoca Sub-Basin ("SASB"), to Petrol Ofisi for aggregate cash consideration of \$55 million, \$50 million of which was funded on March 3, 2009 and the remaining \$5 million of which was funded on September 1, 2009. On September 30, 2009, we sold 100% of the shares of Toreador Hungary Limited, our wholly owned subsidiary, for total consideration consisting of: (1) a cash payment of \$5.4 million (€3.7 million) paid at closing, (2) \$435,000 (€300,000), which was paid to us on November 5, 2009 as part of a post-closing adjustment, and (3) a contingent payment of \$2.9 million (€2 million) to be paid upon post-transaction completion of agreements relating to certain assets of Toreador Hungary. On October 7, 2009, we sold 100% of the shares of Toreador Turkey Limited, our wholly owned subsidiary, for total consideration consisting of: (1) a cash payment of \$10.5 million paid at closing, (2) exploration success payments dependent upon certain future commercial discoveries under the licenses sold, up to a maximum aggregate consideration of \$40 million, and (3) future quarterly 10% pre-tax net profit interest payments if a field goes into production that was discovered by an exploration well drilled within four years of closing on certain of the licenses then still held by the Tiway.

Financial Summary

For the year ended December 31, 2009:

- Revenues were \$19.2 million.
- Total costs and expenses were \$35.4 million.
- Net loss available to common shares was \$25.4 million.
- Production was 328 MBOE.
- Cash and cash equivalents were \$8.7 million.
- We repurchased \$25.7 million aggregate principal amount of our 5.00% Convertible Senior Notes at a purchase price of \$21.3 million.

At December 31, 2009, we had:

- A current ratio of 0.34 to 1; however, without considering the current portion of long-term debt, the ratio would be 1.16 to 1.
- A debt (5.00% Convertible Senior Notes) to equity ratio of 8.90 to 1.

Critical Accounting Policies and Management's Estimates

The discussion and analysis of our financial condition and results of operations is based upon the consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Our significant accounting policies are described in Note 2 to our consolidated financial statements included in this Form 10-K. We have identified below policies that are of particular importance to the portrayal of our financial position and results of operations and which require the application of significant judgment by management. We analyze our estimates on a periodic basis and base our estimates on experience and various other assumptions that we believe to be reasonable under the circumstances. Actual results may

[Table of Contents](#)

differ from these estimates. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our financial statements:

Successful Efforts Method of Accounting

We account for our oil and natural gas exploration and development activities utilizing the successful efforts method of accounting. Under this method, costs of productive exploratory wells, development dry holes and productive wells and undeveloped leases are capitalized. Oil and natural gas lease acquisition costs are also capitalized. Exploration costs, including personnel costs, certain geological and geophysical expenses and delay rentals for oil and natural gas leases, are charged to expense as incurred. Exploratory drilling costs are initially capitalized, but such costs are charged to expense if and when the well is determined not to have found reserves in commercial quantities. In most cases, a gain or loss is recognized for sales of producing properties.

As of December 31, 2009, we had \$2.9 million of costs associated with exploratory costs that had been capitalized for a period of one year or less.

As of December 31, 2009, we had no exploratory costs that have been capitalized for a period of greater than one year.

The application of the successful efforts method of accounting requires management's judgment to determine the proper designation of wells as either developmental or exploratory, which will ultimately determine the proper accounting treatment of the costs incurred. The results from a drilling operation can take considerable time to analyze, and the determination that commercial reserves have been discovered requires both judgment and application of industry experience. Wells may be completed that are assumed to be productive and actually deliver oil and natural gas in quantities insufficient to be economic, which may result in the abandonment of the wells at a later date. On occasion, wells are drilled which have targeted geologic structures that are both developmental and exploratory in nature, and in such instances an allocation of costs is required to properly account for the results. Delineation seismic costs incurred to select development locations within a productive oil and natural gas field are typically treated as development costs and capitalized, but often these seismic programs extend beyond the proved reserve areas and, therefore, management must estimate the portion of seismic costs to expense as exploratory. The evaluation of oil and natural gas leasehold acquisition costs requires management's judgment to estimate the fair value of exploratory costs related to drilling activity in a given area. Drilling activities in an area by other companies may also effectively condemn leasehold positions.

The successful efforts method of accounting can have a significant impact on the operational results reported when we enter a new exploratory area in hopes of finding oil and natural gas reserves. The initial exploratory wells may be unsuccessful and the associated costs will be expensed as dry hole costs. Seismic costs can be substantial which will result in additional exploration expenses when incurred.

Reserve Estimates

Proved reserves are estimated quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible — from a given date forward recoverable in future years from known reservoirs, and under existing economic conditions, operating methods, and government regulations — prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain. Proved developed reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well and through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well. Proved undeveloped reserves are reserves that are expected to be recovered from new wells on undrilled acreage or from existing wells where a relatively major expenditure is required for recompletion. Proved undeveloped reserves on undrilled acreage are limited (i) to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology

[Table of Contents](#)

exists that establishes reasonable certainty of economic producibility at greater distances and (ii) to other undrilled locations if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances justify a longer time.

Probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered. When deterministic methods are used, it is as likely as not that actual remaining quantities recovered will exceed the sum of estimated proved plus probable reserves. When probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the proved plus probable reserves estimates. Probable reserves may be assigned to areas of a reservoir adjacent to proved reserves where data control or interpretations of available data are less certain, even if the interpreted reservoir continuity of structure or productivity does not meet the reasonable certainty criterion. Probable reserves may be assigned to areas that are structurally higher than the proved area if these areas are in communication with the proved reservoir. Probable reserves estimates also include potential incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than assumed for proved reserves.

Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. When deterministic methods are used, the total quantities ultimately recovered from a project have a low probability of exceeding proved plus probable plus possible reserves. When probabilistic methods are used, there should be at least a 10% probability that the total quantities ultimately recovered will equal or exceed the proved plus probable plus possible reserves estimates. Possible reserves may be assigned to areas of a reservoir adjacent to probable reserves where data control and interpretations of available data are progressively less certain. Frequently, this will be in areas where geoscience and engineering data are unable to define clearly the area and vertical limits of commercial production from the reservoir by a defined project. Possible reserves also include incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than the recovery quantities assumed for probable reserves.

We emphasize that the volume of reserves are estimates that, by their nature are subject to revision. The estimates are made using geological and reservoir data, as well as production performance data. These estimates are reviewed annually and revised, either upward or downward, as warranted by additional performance data. These reserve revisions result primarily from improved or a decline in performance from a variety of sources such as an addition to or a reduction in recoveries below or above previously established lowest known hydrocarbon levels, improved or a decline in drainage from natural drive mechanisms, and the realization of improved or declined drainage areas. If the estimates of proved reserves were to decline, the rate at which we record depletion expense would increase.

For the year ended December 31, 2009, we had an upward reserve revision of 18.11% in total proved reserves. This increase can be correlated to a better long-term performance of our main producing asset, the Neocomian Complex, and a higher oil price. The reserves at December 31, 2009 were priced at \$56.99 per Bbl, as compared to \$34.29 at December 31, 2008.

For the year ended December 31, 2008, we had a downward reserve revision of 37.41% in total proved reserves. At December 31, 2007 the price used for evaluating our oil reserves was \$95.72 per barrel as compared to the December 31, 2008 price of \$34.29 per barrel. This 65% decrease in oil price had a severe impact on the economic life of our wells, but also on the discounted present value at 10% and the standardized measure of proved reserves. This downward revision, which primarily affected our French oil reserves, was due to the following factors (i) decrease in economic life due to change in economics caused a net decrease of 1,682 MBbl; (ii) removing 12 proved undeveloped locations from the report caused a net decrease 1,889 MBbl; (iii) negative reserve revisions resulted in a decrease in reserves of 405 MBbl; (iv) 14 wells were shut-in resulting in a decrease of 401 MBbl; (v) three drilled locations in prior years resulted in one producing well which was non-commercial at December 31, 2008 causing a net decrease of 280 MBbl; (vi) one well was lost during workover operations causing a net decrease 37 MBbl; (vii) 2008 production of 805 MBOE. In Hungary, we were able to secure a gas contract and were able to restore the reserves lost in 2007, this resulted in an increase of 159 MBOE and in Romania due to the poor performance of the field

resulted in a decrease of 54 MBOE. In Turkey, we had downward revisions of 390 MBOE, which was due to a decrease in the economic life of the proved developed wells.

Impairment of Oil and Natural Gas Properties and Intangible Assets

We review our proved oil and natural gas properties for impairment on an annual basis or whenever events and circumstances indicate a potential decline in the recoverability of their carrying value. We estimate the expected future cash flows from our proved oil and natural gas properties and compare these future cash flows to the carrying value of the oil and natural gas properties to determine if the carrying value is recoverable. If the carrying value exceeds the estimated undiscounted future cash flows, we will adjust the carrying value of the oil and natural gas properties to its fair value in the current period. The factors used to determine fair value include, but are not limited to, estimates of reserves, future commodity prices, future production estimates, anticipated capital expenditures, and a discount rate commensurate with the risk associated with realizing the expected cash flows projected. Unproved properties are reviewed quarterly to determine if there has been impairment of the carrying value, with any such impairment charged to expense in the period. Given the complexities associated with oil and natural gas reserve estimates and the history of price volatility in the oil and natural gas markets, events may arise that will require us to record an impairment of our oil and natural gas properties and there can be no assurance that such impairments will not be required in the future nor that they will not be material.

We recorded a \$2.3 million impairment to continuing operations in 2008 compared to zero in 2009. The 2008 impairment, to continuing operations, was due to management's decision to exit Trinidad and discontinue our association with our registered agent in the country \$2 million and a reduction in the carrying value of our investment in ePsolutions by \$300,000 which we believed more accurately reflects the current market value of this investment.

In 2009, we recorded an impairment charge of \$10.7 million, to discontinued operations, compared to \$83 million in 2008. The 2009 impairment was due to 1) the Company's decision not to proceed with the Kiha pipeline in Hungary \$5.4 million and 2) the decline in the fair market value of the South Akcakoca Sub-basin assets in Turkey \$5.3 million.

The 2008 impairment, to discontinued operations, was due to the following:

(1) In 2008, the impairment charge in Turkey was a result of a decline in the fair market value of the Company's interest in South Akcakoca Sub-Basin assets. In June 2008, we determined the fair market value based on a Letter of Intent to sell a 26.75% interest in the South Akcakoca Sub-Basin assets to Petrol Ofisi AS for \$80.3 million. This sale price indicated that the fair value of our 36.75% working interest was approximately \$103.8 million. The net book value of the Black Sea asset at June 30, 2008 was \$157.3 million, resulting in an impairment of \$53.5 million.

(2) In January 2009, the Company and Petrol Ofisi agreed to a revised purchase price of \$55 million. This resulted in an impairment on assets held for sale as of December 31, 2008, which is comprised of the 26.75% interest in the South Akcakoca Sub-basin assets, of \$25.6 million.

(3) In December 2008, we incurred an additional \$2.4 million impairment charge in Turkey for assets that were unrelated to the sale of South Akcakoca Sub-Basin assets. The impairment was a result of writing off an exploratory well where sufficient progress was not made to develop the area and a plan of development will not be prepared, by the operator, in the foreseeable future.

(4) When recording the acquisition of Madison Oil in 2002, we recorded \$833,000 of goodwill associated with the Turkish assets. We periodically review the value of goodwill to determine if an impairment is required. The review at December 31, 2008, indicated that the total amount recorded for goodwill should be impaired. The reason for this impairment is due to the fair value of the Turkish subsidiary, based on the discounted present value of the oil and gas reserves being less than the carrying value of the Turkish subsidiary. This resulted in an impairment charge of \$833,000.

(5) In December 2008, we recorded an impairment in Romania of \$600,000 due to the net book value of the oil and natural gas properties exceeding future cash flows.

Future Development and Abandonment Costs

Future development costs include costs to be incurred to obtain access to proved reserves, including drilling costs and the installation of production equipment. Future abandonment costs include costs to dismantle and relocate or dispose of our production equipment, gathering systems, wells and related structures and restoration costs of land. We develop estimates of these costs for each of our properties based upon the type of production structure, depth of water, reservoir characteristics, depth of the reservoir, market demand for equipment, currently available procedures and consultations with construction and engineering consultants. Because these costs typically extend many years into the future, estimating these future costs is difficult and requires management to make estimates and judgments that are subject to future revisions based upon numerous factors, including changing technology, the ultimate settlement amount, inflation factors, credit adjusted discount rates, timing of settlement and changes in the political, legal, environmental and regulatory environment. We review our assumptions and estimates of future abandonment costs on an annual basis. The accounting for future abandonment costs changed on January 1, 2003, with the adoption of FASB ASC 410 "*Asset Retirement and Environmental Obligations*". ASC 410 requires that the fair value of a liability for an asset retirement obligation be recorded in the period in which it is incurred and the corresponding cost be capitalized by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. If the liability is settled for an amount other than the recorded amount, a gain or loss is recognized. In 2005, two separate incidents occurred offshore Turkey in the Black Sea, which resulted in the sinking of the Fallen Structures and the loss of three natural gas wells. We have not been requested, or ordered by any governmental or regulatory body, to remove the Fallen Structures. Therefore, we believe it is unlikely that we will receive such a request or order, and no liability has been recorded.

Holding all other factors constant, if our estimate of future abandonment costs is revised upward, earnings would decrease due to higher depreciation, depletion and amortization expense. Likewise, if these estimates were revised downward, earnings would increase due to lower depreciation, depletion and amortization expense.

Income Taxes

For financial reporting purposes, we generally provide taxes at the rate applicable for the appropriate tax jurisdiction. Because our present intention is to reinvest the unremitted earnings in our foreign operations, we do not provide U.S. income taxes on unremitted earnings of foreign subsidiaries. Management periodically assesses the need to utilize these unremitted earnings to finance our foreign operations. This assessment is based on cash flow projections that are the result of estimates of future production, commodity prices and expenditures by tax jurisdiction for our operations. Such estimates are inherently imprecise since many assumptions utilized in the cash flow projections are subject to revision in the future.

Management also periodically assesses, by tax jurisdiction, the probability of recovery of recorded deferred tax assets based on its assessment of future earnings estimates. Such estimates are inherently imprecise since many assumptions utilized in the assessments are subject to revision in the future.

Derivatives

We periodically utilize derivatives instruments such as futures and swaps for purposes of hedging our exposure to fluctuations in the price of crude oil sales. In accordance with FASB ASC 815, "*Derivatives and Hedging*," we have elected not to designate the derivative financial instruments to which we are a party as hedges, and accordingly, we record such contracts at fair value as an asset or a liability and recognize changes in such fair value in current earnings as they occur. We determine the fair value of futures and

[Table of Contents](#)

swap contracts based on the difference between their fixed contract price and the underlying market price at the determination date. The realized and unrealized gains and losses on derivatives are recorded as a derivative fair value gain or loss in the income statement.

Foreign Currency Translation

The functional currency for France is the Euro. Translation gains and losses resulting from transactions in Euros are included in other comprehensive income for the current period. We periodically review the operations of our entities to ensure the functional currency of each entity is the currency of the primary economic environment in which we operate.

New Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board (the "FASB") issued FASB Accounting Standards Codification (ASC) 805, "*Business Combinations*", formerly Statement No. 141R, "*Business Combinations*" ("SFAS No. 141R"). Under ASC 805, a company is required to recognize the assets acquired, liabilities assumed, contractual contingencies, and any contingent consideration measured at their fair value at the acquisition date. It further requires that research and development assets acquired in a business combination that have no alternative future use are to be measured at their acquisition-date fair value and then immediately charged to expense, and that acquisition-related costs are to be recognized separately from the acquisition and expensed as incurred. Among other changes, this statement also requires that "negative goodwill" be recognized in earnings as a gain attributable to the acquisition, and any deferred tax benefits resultant in a business combination be recognized in income from continuing operations in the period of the combination. ASC 805 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning after December 15, 2008. On January 1, 2009, the Company adopted ASC 805 and applies its provisions prospectively to business combinations that occur after adoption. The adoption did not have any immediate effect on the financial statements and related disclosures.

In December 2007, the FASB issued FASB Accounting Standards Codification (ASC) 810, "*Consolidations*", formerly Statement No. 160, "*Non-controlling Interests in Consolidated Financial Statements*" — an amendment of ARB No. 51 ("SFAS No. 160"). The Standard establishes accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a non-controlling interest in a subsidiary, which is sometimes referred to as minority interest, is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. Among other requirements, this statement requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the non-controlling interest. It also requires disclosure, on the face of the consolidated income statement, of the amounts of consolidated net income attributable to the parent and to the non-controlling interest. The Standard is effective for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2008. On January 1, 2009, the Company adopted ASC 810 and there was no effect on the financial statements and related disclosures.

In February 2008, the FASB issued FASB Accounting Standards Codification (ASC) 820, "*Fair Value Measurements and Disclosures*", formerly FSP No. 157-2 ("FASB No. 157-2") to defer the effective date to fiscal years beginning after November 15, 2008, and the interim periods within such fiscal years, for all related nonfinancial assets and liabilities, including nonfinancial assets and liabilities measured at fair value in a business combination; impaired property, plant and equipment; goodwill; and initial recognition of asset retirement obligations. We adopted the deferred portion of the Standard effective January 1, 2009 and the adoption did not have a significant effect on the financial positions and results of operations. Refer to Note 14 of the financial statements for related disclosures.

In March 2008, the FASB issued FASB Accounting Standards Codification (ASC) 815, "*Derivatives and Hedging*", formerly Statement No. 161, "*Disclosures about Derivative Instruments and Hedging Activities*" — an Amendment of FASB Statement No. 133 ("SFAS No. 161"). This statement changes the

disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedged items are accounted for and (iii) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. The Standard is effective for annual periods beginning after November 15, 2008. On January 1, 2009, the Company adopted the Standard.

In May 2008, the FASB issued FASB Accounting Standards Codification (ASC) 470, "Debt", formerly FASB Staff Position ("FSP") No. APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)" ("FSP APB No. 14-1"). The Standard specifies that issuers of such instruments should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest costs is recognized in subsequent periods. The Standard is effective for financial statements issued for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years and should be applied retrospectively for all periods presented. On January 1, 2009, the Company adopted the Standard and there was no effect on our financial statements and related disclosures.

On December 31, 2008 the SEC issued the final rule, "Modernization of Oil and Gas Reporting" (the "Final Reporting Rule"). The Final Reporting Rule adopts revisions to the SEC's oil and gas reporting disclosure requirements and is effective for annual reports on Forms 10-K for years ending on or after December 31, 2009. The revisions are intended to provide investors with a more meaningful and comprehensive understanding of oil and gas reserves to help investors evaluate their investments in oil and gas companies. The amendments are also designed to modernize the oil and gas disclosure requirements to align them with current practices and changes in technology. Revised requirements in the Final Reporting Rule include, but are not limited to:

- Oil and gas reserves must be reported using the un-weighted arithmetic average of the first day of the month price for each month within a 12 month period, rather than year-end prices;
- Companies will be allowed to report, on an optional basis, probable and possible reserves;
- Non-traditional reserves, such as oil and gas extracted from coal and shales, will be included in the definition of "oil and gas producing activities;"
- Companies will be permitted to use new technologies to determine proved reserves, as long as those technologies have been demonstrated empirically to lead to reliable conclusions with respect to reserve volumes;
- Companies will be required to disclose, in narrative form, additional details on their proved undeveloped reserves ("PUDs"), including the total quantity of PUDs at year end, and any material changes to PUDs that occurred during the year, investments and progress made to convert PUDs to developed oil and gas reserves and an explanation of the reasons why material concentrations of PUDs in individual fields or countries have remained undeveloped for five years or more after disclosure as PUDs; and
- Companies will be required to report the qualifications and measures taken to assure the independence and objectivity of any business entity or employee primarily responsible for preparing or auditing reserves estimate.

We have complied with the disclosure requirements in our annual report on Form 10-K for the year ended December 31, 2009.

Application of the new reserves rules resulted in the use of lower prices at December 31, 2009 for crude oil than would have been used under the previous rules. Nonetheless, given the low decline and the maturity of the Neocomian Complex, which accounted for 93.31% of our proved reserves, once a certain threshold price is reached, use of a higher oil price does not have a significant effect on our reserves estimates. Because the prices used under the new reserves rules already exceed this threshold price, reserves under the new rules are identical to the reserves under the previous rules.

[Table of Contents](#)

On April 9, 2009, the FASB issued FASB Accounting Standards Codification (ASC) 825, "*Financial Instruments*", formerly FASB Staff Position No. FAS 107-1 and APB 28-1, "*Interim Disclosures about Fair Value of Financial Instruments*" (FSP 107-1). The Standard requires disclosures about financial instruments, including fair value, carrying amount, and method and significant assumptions used to estimate the fair value. The Company adopted this standard as of June 30, 2009. Our adoption of this standard did not affect our financial position or results of operations.

In June 2009, the FASB issued Accounting Standards Update 2009-01, *Amendments based on SFAS No. 168 — The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles* to codify in ASC 105, *Generally Accepted Accounting Principles*, FASB Statement 168, *The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles*, which was issued to establish the Codification as the sole source of authoritative U.S. GAAP recognized by the FASB, excluding SEC guidance, to be applied by nongovernmental entities. The guidance in ASC 105 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. Applying the guidance in ASC 105 did not impact the Company's financial condition and results of operations. The Company has revised its references to pre-Codification GAAP in its financial statements.

In August 2009, the FASB issued ASU 2009-05, "*Fair Value Measurements and Disclosures (Topic 820) — Measuring Liabilities at Fair Value*" to provide guidance when estimating the fair value of a liability. When a quoted price in an active market for the identical liability is not available, fair value should be measured using:

- the quoted price of an identical liability when traded as an asset,
- quoted prices for similar liabilities or similar liabilities when traded as assets, or
- another valuation technique consistent with the principles of Topic 820 such as an income approach or a market approach.

If a restriction exists that prevents the transfer of the liability, a separate adjustment related to the restriction is not required when estimating fair value. The Standard is effective for the first reporting period (including interim periods) beginning after issuance. The Company adopted this standard as of December 31, 2009. Our adoption of this standard did not affect our financial position or results of operations.

On January 6, 2010, the FASB issued ASU 2010-03, which aligns the FASB's oil and gas reserve estimation and disclosure requirements with the requirements in the SEC's Final Rule.

We adopted the Final Reporting Rule and ASU 2010-03 effective December 31, 2009 as a change in accounting principle that is inseparable from a change in accounting estimate. Such a change is accounted for prospectively under the authoritative accounting guidance. Comparative disclosures applying the new rules for periods before the adoption of ASU 2010-03 and the Final Reporting Rule are not required.

Our adoption of ASU 2010-03 and the Final Rule on December 31, 2009 impacted our financial statements and other disclosures in this annual report on Form 10-K for the year ended December 31, 2009, as follows:

- All oil and gas reserves volumes presented as of and for the year ended December 31, 2009 were prepared using the updated reserves rules and are not on a basis comparable with prior periods. This change in comparability occurred because we estimated our proved reserves at December 31, 2009 using the updated reserves rules, which require use of the unweighted average first-day-of-the-month commodity prices for the prior twelve months, adjusted for market differentials, and permits the use of reliable technologies to support reserve estimates. Under the previous reserve estimation rules, which are no longer in effect, our net proved oil and gas reserves would have been calculated using end of period oil and gas prices. In addition, the new rules permit us to disclose probable and possible reserves (and we have so disclosed probable and possible reserves), which was not permitted under previous rules. Adoption of ASU 2010-03 and the Final

Rule did not have any significant effect on our reserves estimate, however, standardized measure of discounted future net cash flows related to proved reserves decreased by approximately \$23 million due to use of unweighted twelve month average price compare to year end price.

LIQUIDITY AND CAPITAL RESOURCES

This section should be read in conjunction with Notes 7, 8 and 17 to Notes to Consolidated Financial Statements included in this filing.

Liquidity

The Company's liquidity depends on cash flow from operations and existing cash resources. As of December 31, 2009, we had cash of \$8.7 million, a current ratio of approximately 0.34 to 1; however, without considering the current portion of long-term debt, the ratio would be 1.16 to 1 and a debt (5.00% Convertible Senior Notes) to equity ratio of 8.90 to 1. For the twelve months ended December 31, 2009, we had an operating loss of \$16.2 million and negative cash flows from operating activities of \$7.3 million. In addition, in 2009, we received proceeds from the sales of our assets in Turkey and Hungary.

Other than funding our mandatory capital expenditures, our primary use of discretionary cash in 2009 was to reduce debt. We have no mandatory capital expenditures in 2010; however, execution of our business plan entails substantial capital expenditures. Under French law, each of our exploration permits and exploitation concessions require that we commit to expenditures of a certain amount over the period of the applicable permit or concession. Though we consider these amounts discretionary, such expenditures would be required to renew such permits. We believe we will have sufficient cash flow from operations and cash on hand to meet all of our 2010 obligations.

On March 3, 2009, we completed the sale of a 26.75% interest in the SASB to Petrol Ofisi for \$55 million. In accordance with the agreement, \$50 million of the proceeds was paid by Petrol Ofisi upon closing and the remaining \$5 million was paid on September 1, 2009. Simultaneous with the closing of the sale of the 26.75% interest in the SASB to Petrol Ofisi, we repaid the secured revolving credit facility with the International Finance Corporation. The total amount of the payment was \$36.4 million, which was comprised of \$30 million principal, \$5.9 million additional compensation due under the credit facility as a result of our repayment (such additional compensation calculated under the terms of the credit facility as a percentage of the Company's earnings before interest, tax, depreciation, amortization, and exploration expense) and \$500,000 for accrued interest and fees. As a result of the early extinguishment, we recorded a loss of \$4.9 million for the nine months ended September 30, 2009, which was recorded in discontinued operations. Following the retirement of the credit facility with the International Finance Corporation, the Company does not have a credit facility and currently relies on its cash balance to meet its immediate cash requirements.

On September 30, 2009, we sold 100% of the shares of Toreador Hungary Limited, our wholly owned subsidiary, for total consideration consisting of: (1) a cash payment of \$5.4 million (€3.7 million) paid at closing, (2) \$435,000 (€300,000), which was paid to us on November 5, 2009 as part of a post-closing adjustment, and (3) a contingent payment of \$2.9 million (€2 million) to be paid upon post-transaction completion of agreements relating to certain assets of Toreador Hungary.

On October 7, 2009, we sold 100% of the shares of Toreador Turkey Limited, our wholly owned subsidiary, for total consideration consisting of: (1) a cash payment of \$10.5 million paid at closing, (2) exploration success payments dependent upon certain future commercial discoveries under the licenses sold, up to a maximum aggregate consideration of \$40 million, and (3) future quarterly 10% pre-tax net profit interest payments if a field goes into production that was discovered by an exploration well drilled within four years of closing on certain of the licenses then still held by the Tiway.

Secured Revolving Facility

On December 28, 2006, we entered into a loan and guarantee agreement with International Finance Corporation. The loan and guarantee agreement provided for a \$25 million facility which was a secured revolving facility with a maximum facility amount of \$25 million which maximum facility amount would have increased to \$40 million when the projected total borrowing base amount exceeds \$50 million. The \$25 million facility funded on March 2, 2007. The total proceeds received on March 2, 2007 were approximately \$25 million, of which \$11 million was used to retire the outstanding balance on the \$15 million credit facility and the remaining \$14 million of funds was used to finance our capital expenditures in Turkey and Romania. The loan and guarantee agreement also provided for an unsecured \$10 million facility which funded on December 28, 2006. Both the \$25 million facility and the \$10 million facility were to fund our operations in Turkey and Romania.

On March 3, 2009, we repaid and retired the facilities with the International Finance Corporation. The total amount of the payment was \$36.4 million, which was comprised of \$30 million principal, \$5.9 million additional compensation due under the credit facility as a result of our repayment (such additional compensation calculated under the terms of the credit facility as a percentage of the Company's earnings before interest, tax, depreciation, amortization and exploration expense) and \$500,000 for accrued interest and fees. As a result of the early extinguishment, we recorded a loss of \$4.9 million which was recorded in discontinued operations for the year ended December 31, 2009.

Following retirement of the credit facility with the International Finance Corporation, the Company does not have a credit facility and will rely on its cash balance to meet its immediate cash requirements.

5.00% Convertible Senior Notes Due 2025

On September 27, 2005, we sold \$75 million of 5.00% Convertible Senior Notes due October 1, 2025 to qualified institutional buyers pursuant to Rule 144A of the Securities Act of 1933. We also granted the initial purchasers the option to purchase an additional \$11.25 million aggregate principal amount of 5.00% Convertible Senior Notes to cover over-allotments. The option was exercised on September 30, 2005. The total principal amount of 5.00% Convertible Senior Notes issued was \$86.25 million and total net proceeds were approximately \$82.2 million.

The 5.00% Convertible Senior Notes bear interest at a rate of 5% per annum and can be converted into common stock at an initial conversion rate of 23.3596 shares of common stock per \$1,000 principal amount of 5.00% Convertible Senior Notes, subject to adjustment (equivalent to a conversion price of approximately \$42.81 per share). We may redeem the 5.00% Convertible Senior Notes, in whole or in part, on or after October 6, 2008, and prior to October 1, 2010, for cash at a redemption price equal to 100% of the principal amount of 5.00% Convertible Senior Notes to be redeemed, plus any accrued and unpaid interest, if the closing price of our common stock exceeds 130% of the conversion price over a specified period. On or after October 1, 2010, we may redeem the 5.00% Convertible Senior Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of 5.00% Convertible Senior Notes to be redeemed, plus any accrued and unpaid interest, irrespective of the price of its common stock. Holders may convert their 5.00% Convertible Senior Notes at any time prior to the close of business on the business day immediately preceding their stated maturity, and holders may, upon the occurrence of certain fundamental changes, and on October 1, 2010, October 1, 2015, and October 1, 2020, require us to repurchase all or a portion of their 5.00% Convertible Senior Notes for cash in an amount equal to 100% of the principal amount of such 5.00% Convertible Senior Notes, plus any accrued and unpaid interest.

In 2008, we repurchased \$6 million in principal amount of the 5.00% Convertible Senior Notes on the open market and through privately negotiated transactions for \$5.3 million plus accrued interest of \$109,347. Additionally, we expensed \$241,965 of prepaid loan fees attributable to the repurchased 5.00% Convertible Senior Notes. This resulted in a \$458,535 gain on the early extinguishment of debt. In April 2009, we repurchased \$16.7 million in principal amount of the 5.00% Convertible Senior Notes on the open market for \$12.7 million plus accrued interest and prepaid loan fees of \$652,000. This repurchase

[Table of Contents](#)

resulted in a gain of \$3.4 million on the early extinguishment of debt which was recorded in the second quarter of 2009. In October 2009, we repurchased \$9 million principal amount of the 5.00% Convertible Senior Notes on the open market and through privately negotiated transactions for \$8.7 million plus accrued interest and prepaid loan fees of \$307,000. This repurchase resulted in a loss of \$26,000 on the early extinguishment of debt which was recorded in the fourth quarter of 2009. As of December 31, 2009, \$54.6 million aggregate principal amount of the 5.00% Convertible Senior Notes was outstanding.

On February 1, 2010, Toreador consummated an exchange transaction (the "Convertible Notes Exchange"). In the Convertible Notes Exchange, in exchange for (a) \$22,231,000 principal amount of our outstanding 5.00% Convertible Senior Notes due 2025, or the Old Notes, and (b) \$9.4 million cash, we issued \$31,631,000 aggregate principal amount of our 8.00%/7.00% Convertible Senior Notes due 2025, or the New Convertible Senior Notes, and paid accrued and unpaid interest on the Old Notes. On February 1, 2010, we had approximately \$32.4 million aggregate principal amount outstanding of our 5.00% Convertible Senior Notes and \$31.6 million outstanding aggregate principal amount of our New Convertible Senior Notes. See Note 17 (Subsequent Events) of Notes to Consolidated Financial Statements. The New Convertible Senior Notes may be redeemed in whole or in part at the Company's option prior to October 1, 2013, in cash at a redemption price equal to one hundred percent (100%) of the principal amount of the New Convertible Senior Notes redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date plus a make-whole payment, if the closing sale price of the Company's common stock has exceeded 200% of the conversion price then in effect for at least twenty (20) trading days in any consecutive thirty (30)-trading day period ending on the trading day prior to the date of mailing of the relevant notice of redemption. The New Convertible Senior Notes may be redeemed in whole or in part at the Company's option on or after October 1, 2013 for cash at a redemption price equal to 100% of the principal amount of the New Convertible Senior Notes redeemed, plus any accrued and unpaid interest to, but excluding, the redemption date. In addition, upon the occurrence of certain fundamental changes, and on each of October 1, 2013, October 1, 2015 and October 1, 2020, a holder may require the Company to repurchase all or a portion of the New Convertible Senior Notes in cash for 100% of the principal amount of the New Convertible Senior Notes to be purchased, plus any accrued and unpaid interest to, but excluding, the purchase date.

On February 12, 2010, we completed a registered underwritten public offering of 3,450,000 shares of common stock, including 450,000 shares of common stock acquired by the underwriters from us to cover over-allotment options. The net proceeds to Toreador from the offering were approximately \$27.2 million, after deducting underwriting discounts, commissions and estimated offering expenses. We intend to use the net proceeds, together with cash on hand, to satisfy payment obligations arising from the holders' exercise, if any, of their right on October 1, 2010 to require the Company to repurchase its 5.00% Convertible Senior Notes due 2025 and for general corporate purposes, which may include working capital, capital expenditures and acquisitions. See Note 17 (Subsequent Events) of Notes to Consolidated Financial Statements.

Contractual Obligations

The following table sets forth our contractual obligations in thousands at December 31, 2009 for the periods shown:

	<u>Total</u>	<u>Less than One Year</u>	<u>One to Three Years</u>	<u>Four to Five Years</u>	<u>More than Five Years</u>
Long-term debt	\$ 54,616	\$ 32,385	\$ —	\$ 22,231	\$ —
Lease commitments	2,175	357	1,358	460	—
Total contractual obligations	<u>\$ 56,791</u>	<u>\$ 32,742</u>	<u>\$ 1,358</u>	<u>\$ 22,691</u>	<u>\$ —</u>

Contractual obligations for long-term debt above does not include amounts for interest payments.

Results of Operations***Results of Continuing Operations***

In 2009, the Company disposed of its interest in Turkey, Hungary and Romania. The results of operations for these operations have been reclassified as discontinued operations for all periods presented and are discussed separately under the heading " — Results of discontinued operations."

Comparison of Years Ended December 31, 2009 and 2008

	For the Years Ended December 31,			
	2009	2008	2009	2008
Production:	Average Price:			
Oil (MBbls):	Oil (\$/Bbl):			
France	328	365	France	\$ 57.17 \$ 93.32

Revenues***Oil sales***

Oil sales for the twelve months ended December 31, 2009 were \$19.2 million, as compared to \$34.2 million for the comparable period in 2008. This decrease is primarily due to the global decrease in oil prices and decreased production in 2009, as compared to the prior year. The decline in production of 37 mbbl is primarily a result of wells being shut in for workovers and of natural decline. The decrease in the average realized price for oil from \$93.32 in 2008 to \$57.17 in 2009 resulted in a decrease of revenue of \$11.9 million, and the decline in production resulted in a decrease of revenue of \$3.5 million.

The above table compares both volumes and prices received for oil for the twelve months ended December 31, 2009 and 2008. Oil prices are and probably will continue to be extremely volatile and a significant change will have a material impact on our revenue.

Costs and expenses***Lease operating***

Lease operating expense was \$8.4 million, or \$25.60 per BOE produced, for the twelve months ended December 31, 2009, as compared to \$9.3 million, or \$25.37 per BOE produced, for the comparable period in 2008. This decrease is primarily due to the decrease in production.

Exploration expense

Exploration expense for the twelve months ended December 31, 2009 was \$138,000, as compared to \$1.2 million for the comparable period in 2008. The decrease is due to the elimination of the exploration staff in the Dallas office due to the relocation of our headquarters to Paris, France.

Depreciation, depletion and amortization

For the twelve months ended December 31, 2009, depreciation, depletion and amortization expense was \$5.8 million, or \$17.57 per BOE produced, as compared to \$5 million, or \$13.70 per BOE produced for the twelve months ended December 31, 2008. This increase is primarily due to the lower proved reserves assigned to our French assets at December 31, 2008 due to depressed oil prices and was partially offset by the decline in oil production of 37 MBbls and increased reserves at December 31, 2009.

Impairment of oil and natural gas properties

Impairment charged in 2009 was zero compared to \$2.3 million in 2008. The impairment was primarily a result of an impairment charge of \$2 million for the undeveloped leasehold costs in Trinidad, due to management's decision to exit Trinidad and discontinue our association with our registered agent in the country. Additionally, in April 2007, we sold our interest in ePsolutions for \$3.4 million in cash and 50,000 shares of preferred stock with a value of \$10.00 per share. Due to the rising cost of electricity and the deterioration of the deregulated electric market in Texas, in 2008, ePsolutions reduced their forecasted growth for the next several years. Accordingly, we reduced our carrying value of our investment in ePsolutions by \$300,000 which we believe more accurately reflects the current market value of this investment.

General and administrative

General and administrative expense was \$20.4 million for the twelve months ended December 31, 2009, as compared to \$13 million for the comparable period of 2008. This includes stock compensation, cost incurred due to resignation of former officers, costs associated with subsidiary sales and costs associated with the Dallas office/relocation of headquarters.

Excluding those exceptional items, general and administrative expense was \$11.3 million for the twelve months ended December 31, 2009, compared with \$9.8 million for the comparable period of 2008.

Exceptional general and administrative expenses are as follows: stock compensation, cost incurred due to resignation of former officers, costs associated with subsidiary sales and costs associated with the Dallas office/relocation of headquarters.

Stock compensation expense

Stock compensation expense was \$3.6 million for the twelve months ended December 31, 2009, compared with \$2.3 million for the comparable period of 2008. This increase is primarily due to the change in the structure of Board compensation, effective beginning in 2009, whereby directors receive a greater portion of their compensation in stock rather than cash in addition to a stock bonus that was granted to foreign office employees. The immediate vesting of grants made to employees in the Dallas office that have been terminated has been classified as "Cost associated with the Dallas office/relocation of corporate headquarters from Dallas, Texas to Paris, France" and are not reflected in this amount.

Cost incurred due to the resignation of former officers of the Company

The Company and Nigel Lovett, our former President and Chief Executive Officer, entered into a Separation and Mutual Release Agreement (the "Lovett Release") in connection with his resignation from the Company in January 2009. Pursuant to the Lovett Release, Toreador amended certain terms and conditions of Mr. Lovett's 2008 employment agreement (the "2008 Employment Agreement") with Toreador. The terms of the 2008 Employment Agreement, as amended, provide for Toreador to: (i) pay Mr. Lovett all unpaid compensation earned but not paid, (ii) pay Mr. Lovett certain severance payments totaling \$720,000 to be paid in 24 equal monthly installments, (iii) issue 90,000 shares of Toreador common stock to Mr. Lovett, and (iv) vest 6,800 shares of Toreador restricted stock held by Mr. Lovett. The cost associated with the Lovett Release totaled \$832,000, which was recorded in the first quarter of 2009.

In June 2008, Michael FitzGerald resigned as Executive Vice President — Exploration and Production and Edward Ramirez resigned as Senior Vice President — Exploration and Production. Their Separation and Release Agreements provided for (i) each to receive one year of salary which together resulted in an expense of \$600,000, and (ii) for Mr. FitzGerald the immediate vesting of 5,000 shares of restricted stock grants and for Mr. Ramirez the immediate vesting of 7,000 shares of restricted stock grants which together resulted in an expense of \$35,000.

[Table of Contents](#)

In addition in June 2008, three other employees resigned, which collectively resulted in an additional \$304,000 of expense.

Cost associated with subsidiary sales

For the year ended December 31, 2009 we had \$545,000 in legal and consulting expenses due to the sale of the Turkish and Hungarian subsidiaries, as compared to zero for the comparable period in 2008.

Cost associated with the Dallas office/ relocation of corporate headquarters from Dallas, Texas to Paris, France

For the year ended December 31, 2009 we had \$4.0 million of costs associated with the Dallas office/ relocation of our headquarters from Dallas, Texas to Paris, France. The major components are: 1) salaries and wages associated with Dallas office employees \$919,000; 2) severance payments to terminated Dallas employees \$1.7 million, which includes stock compensation of \$866,000; 3) corporate restructuring expenses \$847,000; 4) travel by Dallas office employees \$322,000; 5) miscellaneous relocation costs \$322,000 and 6) Dallas office rent \$241,000. For the twelve months ended December 31, 2008, we did not have any such relocation costs.

Gain/loss on oil derivative contracts

Loss on oil derivative contracts was \$879,000 for the year ended December 31, 2009, as compared to a loss of \$1.8 million for 2008.

The realized gain in 2009 represents the recognized gain on the commodity derivative contracts with Vitol S.A. Presented in the table below is a summary of the contracts entered into:

Type	Period	Barrels	Floor	Ceiling	Gain
Collar	July 1 — September 30, 2009	55,200	\$ 65.00	\$ 77.00	\$ 7
Collar	October 1 — December 30, 2009	55,200	\$ 65.00	\$ 77.00	—

Additionally, we recorded an unrecognized loss on the commodity derivative contracts for 2010, with Vitol S.A. Presented in the table below is a summary of the contracts entered into:

Type	Period	Barrels	Floor	Ceiling	Loss
Collar	January 1 — December 31, 2010	182,500	\$ 68.00	\$ 81.00	\$ (886)

The 2008 loss represents the recognized loss on the commodity derivative contracts with Total Oil Trading. Presented in the table below is a summary of the contracts entered into with the gain (loss) in thousands:

Type	Period	Barrels	Floor	Ceiling	Gain/(Loss)
Collar	January 1 — March 31, 2008	48,000	\$ 84.75	\$ 92.75	\$ (19)
Collar	April 1 — June 30, 2008	48,000	\$ 92.25	\$ 100.25	(2,239)
Collar	July 1 — September 30, 2008	48,000	\$ 91.75	\$ 99.75	477
					<u>\$ (1,781)</u>

Foreign currency exchange gain (loss)

We recorded a gain on foreign currency exchange of \$169,000 for the year ended December 31, 2009 as compared with a loss of \$145,000 for the comparable period of 2008. This increase is primarily due to the strengthening of the Euro compared to the U.S. Dollar in 2009.

Gain on the early extinguishment of debt

For the year ended December 31, 2009, we repurchased \$25.7 million principal amount of our 5.00% Convertible Senior Notes on the open market and through privately negotiated transactions for \$21.3 million plus accrued interest and prepaid loan fees resulting in a gain of \$3.3 million on the early extinguishment of debt. For the comparable period of 2008, we repurchased \$6 million of the Convertible Senior Notes for \$5.3 million plus accrued interest and prepaid loan fees resulting in a \$458,535 gain on the early extinguishment of debt.

Interest and other income

Interest and other income was \$251,000 for the year ended December 31, 2009 as compared with \$775,000 in the comparable period of 2008. The decrease is due primarily to having a lower average cash balance in 2009, as compared to 2008 as a result of lower revenues due to decreased oil prices and increased general and administrative expense.

Interest expense, net of interest capitalization

Interest expense was \$3.4 million for the year ended December 31, 2009, as compared to \$4.2 million for the comparable period of 2008. This decrease is due to the repurchase of \$25.7 million principal of the 5.00% Convertible Senior Notes. This is offset by the amount recorded in 2008 for capitalized interest \$1 million, as compared to \$355,000 for the comparable period in 2009.

Provision for income taxes

For the year ended December 31, 2009 we reported an income tax benefit of \$450,000, compared to an expense of \$5.5 million for the same period of 2008. The reduction in income tax is primarily due to a decrease in the French tax provision due to a tax refund of 2008 French income tax in 2009 and a reduction in 2009 French taxable income as a result of decreased revenues.

Loss available to common shares

For the year ended December 31, 2009, we reported a loss from continuing operations net of taxes of \$15.3 million, compared with a loss of \$7 million for the same period of 2008. For the twelve months ended December 31, 2009 we recorded a loss available to common shares of \$25.4 million versus a loss available to common shares of \$108.6 million for the year ended December 31, 2008.

Other comprehensive income (loss)

The most significant element of comprehensive income, other than net income, is foreign currency translation. As of December 31, 2009, we had accumulated an unrealized gain of \$4.6 million. For the year ended December 31, 2008, we had an unrealized loss of \$5.3 million. This increase is primarily due to the strengthening of the Euro in 2009 as compared to the U.S. Dollar.

[Table of Contents](#)

The functional currency of our operations in France is the Euro, and the exchange rate used to translate the financial position of the French operations at December 31, 2009 and 2008 is shown below:

	December 31,	
	2009	2008
Euro	\$ 1.4406	\$ 1.3917

Results of discontinued operations

On June 14, 2007, the Board of Directors authorized management to sell all our oil and natural gas properties in the United States. The sale of these properties completed the divestiture of the company's non-core domestic assets and allowed us to focus exclusively on our International operations. The sale was closed on September 1, 2007. The sales price was \$19.1 million which resulted in a pre-tax gain of \$9.2 million, which was recorded in September 2007.

In the fourth quarter of 2008 and during the first quarter of 2009, Toreador farmed out or sold all of its working interests in Romania to three different companies and closed its office; thus, we no longer have any operational involvement in Romania. This resulted in a gain of \$5.8 million which was recorded in the first quarter of 2009.

On March 3, 2009 we completed the sale of a 26.75% interest in the South Akcakoca Sub-Basin (SASB) project associated licenses located in the Black Sea offshore Turkey, to Petrol Ofisi for \$55 million. In accordance with the revised assignment announced on February 3, 2009, \$50 million of the proceeds was paid by Petrol Ofisi on March 3, 2009, and the remaining \$5 million was paid on September 1, 2009. No gain or loss resulting from this sale.

On September 30, 2009, the Company entered into a Share Purchase Agreement (the "Share Purchase Agreement") with Tiway Oil BV, a company organized under the laws of the Netherlands ("Tiway"), and Tiway Oil AS, a company organized under the laws of Norway, pursuant to which the Company agreed to sell 100% of the outstanding shares of Toreador Turkey Ltd. ("Toreador Turkey") to Tiway for total consideration consisting of: (1) a cash payment of \$10.5 million to be paid at closing, (2) exploration success payments dependent upon certain future commercial discoveries as provided in the Share Purchase Agreement, up to a maximum aggregate consideration of \$40 million, and (3) future quarterly 10% pre-tax net profit interest payments if a field goes into production that was discovered by an exploration well drilled within four years of closing on certain of the licenses then still held by Tiway. The sale of Toreador Turkey was completed on October 7, 2009 which resulted in a gain of \$1.8 million.

On September 30, 2009, the Company entered into a Quota Purchase Agreement (the "Quota Purchase Agreement") with RAG (Rohöl-Aufsuchungs Aktiengesellschaft), a corporation organized under the laws of Austria ("RAG"), pursuant to which the Company agreed to sell 100% of its equity interests in Toreador Hungary Limited ("Toreador Hungary") to RAG for total consideration consisting of (1) a cash payment of US\$5.4 million (€3.7 million) paid at closing, (2) US\$435,000 (€300,000), which was held back subject to a post-closing adjustment and was paid to us on November 5, 2009 and (3) a contingent payment of US\$2.9 million (€2 million) to be paid upon post-transaction completion of agreements relating to certain assets of Toreador Hungary. The sale of Toreador Hungary was completed on September 30, 2009. The sale of Toreador Hungary resulted in a loss of \$4.1 million.

[Table of Contents](#)

The results of operations of assets in the United States, Romania, Turkey and Hungary have been presented as discontinued operations in the accompanying consolidated statement of operations. Results for these assets reported as discontinued operations were as follows:

The table below compares discontinued operations for the years ended December 31, 2009 and 2008:

	<u>Year Ended December 31</u>	
	<u>2009</u>	<u>2008</u>
	<u>(In thousands)</u>	
Revenues:		
Oil and natural gas sales	\$ 4,545	\$ 28,226
Costs and expenses:		
Lease operating	886	7,971
Exploration expense	868	4,582
Impairment of oil and natural gas properties	10,725	82,951
Depreciation, depletion and amortization	157	28,148
Dry hole costs	1,318	—
General and administrative	3,424	2,445
(Gain) loss on sale of properties	(3,583)	123
Total costs and expenses	<u>13,795</u>	<u>126,220</u>
Operating loss	(9,250)	(97,994)
Other income (expense):		
Loss on early extinguishment of debt	(4,881)	—
Foreign currency exchange	3,822	(342)
Interest and other income	414	1,004
Interest expense	(185)	(3,679)
Loss before taxes	(10,080)	(101,011)
Income tax provision	—	574
Loss from discontinued operations	<u>\$ (10,080)</u>	<u>\$ (101,585)</u>

Comparison of Years Ended December 31, 2009 and 2008

	For the Years Ended December 31,			
	2009	2008		
Production:			Average Price:	
Oil (MBbls):			Oil (\$/Bbl):	
Turkey	39	56	Turkey	49.78 93.21
Romania	—	3	Romania	— 57.97
Total	<u>39</u>	<u>59</u>	Total average oil price	49.78 91.25
Gas (MMcf):			Gas (\$/Mcf):	
Turkey	301	1,840	Turkey	8.64 11.14
Romania	—	446	Romania	— 5.32
Total	<u>301</u>	<u>2,286</u>	Total average gas price	8.64 10.00
MBOE:			\$/ BOE:	
Turkey	89	363	Turkey	50.94 70.88
Romania	—	77	Romania	— 32.99
Total	<u>89</u>	<u>440</u>	Total average price per BOE	50.94 64.20

Revenues

Oil and natural gas sales

Oil and natural gas sales for the twelve months ended December 31, 2009 were \$4.5 million, as compared to \$28.2 million for the comparable period in 2008. This decrease is primarily due to the sale of our 26.75% interest in the SASB to Petrol Ofisi in March 2009, followed by the sale of Toreador Turkey to Tiway in October 2009 and the disposal of our Romanian operations in January 2009. The decrease in oil and natural gas prices in 2009, when compared to 2008 also contributed to the decrease.

Total costs and expenses

Lease operating

Lease operating expense was \$886,000 for the twelve months ended December 31, 2009, as compared to \$8 million, for the comparable period in 2008. This decrease is primarily due to the sale of our 26.75% interest in the SASB to Petrol Ofisi in March 2009, followed by the sale of Toreador Turkey to Tiway in October 2009 and the disposal of our Romanian operations in January 2009.

Exploration expense

Exploration expense for the twelve months ended December 31, 2009 was \$868,000, as compared to \$4.6 million for the comparable period in 2008. This decrease is primarily due to the sale of our 26.75% interest in the SASB to Petrol Ofisi in March 2009, followed by the sale of Toreador Turkey to Tiway in October 2009 and the disposal of our Romanian operations in January 2009.

Dry hole and abandonment

Dry hole and abandonment cost for the twelve months ended December 31, 2009 was \$1.3 million as compared to zero in 2008. In 2009 we drilled the Durusu#1, in offshore Turkey, which was a dry hole.

Depreciation, depletion and amortization.

For the twelve months ended December 31, 2009, depreciation, depletion and amortization expense was \$157,000, as compared to \$28.1 million for the twelve months ended December 31, 2008. This decrease is primarily due to the assets being held for sale which required us to suspend calculating depletion on these assets.

Impairment of oil and natural gas properties

Impairment charged in 2009 was \$10.7 million compared to \$83 million in 2008. The 2009 impairment was a result of 1) the Company's decision not to proceed with the Kiha pipeline in Hungary \$5.4 million and 2) the decline in the fair market value of the South Akcakoca Sub-basin assets in Turkey \$5.3 million. The 2008 impairment was due to:

(1) In 2008, the impairment charge in Turkey was a result of a decline in the fair market value of the Company's interest in South Akcakoca Sub-Basin assets. In June 2008, we determined the fair market value based on a Letter of Intent to sell a 26.75% interest in the South Akcakoca Sub-Basin assets to Petrol Ofisi AS for \$80.3 million. This sale price indicated that the fair value of our 36.75% working interest was approximately \$103.8 million. The net book value of the Black Sea asset at June 30, 2008 was \$157.3 million, resulting in an impairment of \$53.5 million.

(2) In January 2009, the Company and Petrol Ofisi agreed to a revised purchase price of \$55 million. This resulted in an impairment on assets held for sale, which is comprised of the 26.75% interest in the South Akcakoca Sub-basin assets, of \$25.6 million.

(3) In December 2008, we incurred an additional \$2.4 million impairment charge in Turkey for assets that were unrelated to the sale of South Akcakoca Sub-Basin assets. The impairment was a result of writing off an exploratory well where sufficient progress was not made to develop the area and a plan of development will not be prepared, by the operator, in the foreseeable future.

(4) When recording the acquisition of Madison Oil in 2002, we recorded \$833,000 of goodwill associated with the Turkish assets. We periodically review the value of goodwill to determine if an impairment is required. The review at December 31, 2008, indicated that the total amount recorded for goodwill should be impaired. The reason for this impairment is due to the fair value of the Turkish subsidiary, based on the discounted present value of the oil and gas reserves being less than the carrying value of the Turkish subsidiary. This resulted in an impairment charge of \$833,000.

(5) In December 2008, we recorded an impairment in Romania of \$600,000 due to the net book value of the oil and natural gas properties exceeding future cash flows.

General and administrative

General and administrative expense was \$3.4 million for the twelve months ended December 31, 2009, compared with \$2.4 million for the comparable period of 2008. The increase is primarily due to the severance paid to employees in Turkey and Hungary, after the sale of those operations.

[Table of Contents](#)***Gain/loss on sale of assets***

For the year ended December 31, 2009, we recorded a gain on sale of assets of \$3.6 million, compared to a loss of \$123,000 for the comparable period of 2008. The table below shows the gain/(loss) by country:

	Year Ended December 31	
	2009	2008
	(In thousands)	
Turkey	\$ 1,811	\$ —
Romania	5,846	—
Hungary	(4,074)	—
United States	—	(123)
Gain (loss) on sale of assets	\$ 3,583	\$ (123)

The gains are primarily attributable to the reclassification of Accumulated Other Comprehensive Income, recorded on the balance sheet, to gain/(loss) on sale.

Loss on early extinguishment of debt

In accordance with the covenants of the International Finance Corporation revolving credit facility, proceeds of the Petrol Ofisi sale were used to fully repay and retire the outstanding balance of \$36.4 million, which includes \$5.9 million of additional compensation and \$500,000 for accrued interest and fees. This resulted in a loss on the early extinguishment of debt of \$4.9 million.

Foreign currency exchange

We recorded a gain on foreign currency exchange of \$3.8 million for the year ended December 31, 2009 as compared with a \$342,000 loss for the comparable period of 2008. This increase is primarily due to the strengthening of the U.S. Dollar compared to the Turkish Lira, Hungarian Forint and Romanian Lei.

Interest and other income

Interest and other income was \$414,000 for the year ended December 31, 2009 as compared with \$1 million in the comparable period of 2008. The decrease is due primarily to having a lower average cash balance in 2009, as compared to 2008.

Interest expense, net of interest capitalization

Interest expense was \$185,000 for the year ended December 31, 2009, as compared to \$3.7 million for the comparable period of 2008. This decrease is due to the repayment of the facility with the International Finance Corporation in March 2009.

Results of Continuing Operations — Comparison of Years Ended December 31, 2008 and 2007

In 2009, the Company disposed of its interest in Turkey, Hungary and Romania. The results of operations for these operations have been reclassified as discontinued operations for all periods presented and are discussed separately under the heading " — Results of discontinued operations."

	For the Years Ended December 31,			
	2008	2007	2008	2007
Production:				Average Price:
Oil (MBbls):			Oil (\$/Bbl):	
France	365	383	\$ 93.32	\$ 67.49

Revenues

Oil sales

Oil sales for the twelve months ended December 31, 2008 were \$34.2 million, as compared to \$25.9 million for the comparable period in 2007. This increase is due to the increase in the average realized price for oil \$9.4 million, partially offset by the decline in production \$1.2 million.

Oil production decreased in France primarily due to the loss of production from a well that encountered mechanical and downhole problems during a workover operation that was eventually plugged and several wells that were shut-in in the fourth quarter waiting on rig availability to commence workover operations.

The above table compares both volumes and prices received for oil for the twelve months ended December 31, 2008 and 2007.

Costs and expenses

Lease operating

Lease operating expense was \$9.3 million, or \$25.37 per BOE produced for the twelve months ended December 31, 2008, as compared to \$7.3 million, or \$19.17 per BOE produced for the comparable period in 2007. This increase is primarily due to increased operating costs in France due to the age of the fields and additional workover costs in 2008.

Exploration expense

Exploration expense for the twelve months ended December 31, 2008 was \$1.2 million, as compared to \$3.5 million for the comparable period in 2007. These costs are associated with our exploration departments in France and Dallas and the decrease is due primarily to the reduction of staff in the exploration department in Dallas.

Dry hole and abandonment

Dry hole and abandonment cost for the twelve months ended December 31, 2008 was zero, as compared to \$3.8 million in 2007. During 2007 we drilled two dry holes in France costing \$3.8 million. Additionally, the Company made a strategic decision to no longer drill 100% exploratory wells or fund 100% seismic programs on exploratory acreage. We have begun a systematic process of farming out our exploratory prospects to industry partners. The terms of farm outs have been and will generally be structured so that the farmee will pay at least a majority of all seismic costs and drill an exploratory well to casing point in order to earn a 50%-75% working interest in the prospect or concession.

Depreciation, depletion and amortization

For the twelve months ended December 31, 2008, depreciation, depletion and amortization expense was \$5 million, or \$13.67 per BOE produced, as compared to \$4.4 million, or \$11.49 per BOE produced, for the twelve months ended December 31, 2007. This increase is primarily due to the reduction in proved reserves at December 31, 2008.

Impairment of oil and natural gas properties

Impairment charged in 2008 was \$2.3 million compared to zero in 2007. The impairment was primarily a result of an impairment charge of \$2 million for the undeveloped leasehold costs in Trinidad, due to management's decision to exit Trinidad and discontinue our association with our registered agent in the country. Additionally, in April 2007, we sold our interest in ePsolutions for \$3.4 million in cash and 50,000 shares of preferred stock with a value of \$10.00 per share. Due to the rising cost of electricity and the deterioration of the deregulated electric market in Texas, in 2008, ePsolutions reduced their forecasted

[Table of Contents](#)

growth for the next several years. Accordingly, we have reduced our carrying value of our investment in ePsolutions by \$300,000 which we believe more accurately reflects the current market value of this investment.

General and administrative

General and administrative expense was \$13 million for the twelve months ended December 31, 2008, compared with \$12.5 million for the comparable period of 2007. General and administrative expense is divided into the following categories:

General and administrative before stock compensation and severance payments

General and administrative expense, not including stock compensation expense and amounts due the former employees upon their resignation, was \$9.8 million for the twelve months ended December 31, 2008, compared with \$7.5 million for the comparable period of 2007. This increase is due to no longer being able to allocate general and administrative expenses to the foreign subsidiaries due to the decreased exploration and development activities in 2008, as compared to 2007.

Stock compensation expense

Stock compensation expense was \$2.3 million for the twelve months ended December 31, 2008, compared with \$2.9 million for the comparable period of 2007. This decrease is primarily due to the forfeiture of most of the restricted stock granted to the executives that resigned in June 2008.

Cost incurred in relation to the resignation of former employees of the Company

In June 2008, Mr. Michael FitzGerald resigned as Executive Vice President — Exploration and Production and Mr. Edward Ramirez resigned as Senior Vice President — Exploration and Production. The Separation and Release Agreements provide for one year of salary for each individual which resulted in an expense of \$600,000, and for Mr. FitzGerald the immediate vesting of 5,000 shares of restricted stock grants and for Mr. Ramirez the immediate vesting of 7,000 shares of restricted stock grants which resulted in an expense of \$35,000.

Also in June 2008, three other employees resigned which resulted in an additional \$304,000 of expense.

In January 2007, Mr. G. Thomas Graves III resigned as President and Chief Executive Officer. The Separation Agreement between Mr. Graves and the Company called for the immediate vesting of all restricted stock grants which resulted in an expense of \$1.1 million and two years of salary and one year of bonus of \$1.1 million.

Gain/loss on oil and gas derivative contracts

Loss on oil and gas derivative contracts of \$1.8 million for 2008 represents the recognized loss on the commodity derivative contracts with Total Oil Trading. Presented in the table below is a summary of the contracts entered into with the gain (loss) in thousands:

<u>Type</u>	<u>Period</u>	<u>Barrels</u>	<u>Floor</u>	<u>Ceiling</u>	<u>Gain/(Loss)</u>
Collar	January 1 — March 31, 2008	48,000	\$ 84.75	\$ 92.75	\$ (19)
Collar	April 1 — June 30, 2008	48,000	\$ 92.25	\$ 100.25	(2,239)
Collar	July 1 — September 30, 2008	48,000	\$ 91.75	\$ 99.75	477
					<u>\$ (1,781)</u>

[Table of Contents](#)

For the year ended December 31, 2007, we recorded a loss of \$1 million for the net realized and unrealized loss on derivative financial instruments which fluctuate based on changes in the fair value of underlying commodities. We entered into futures and swap contracts for approximately 15,000 Bbls per month for the months of June 2007 through December 2008 and subsequently sold all contracts as of December 31, 2007.

Gain on the sale of properties and other assets

For the twelve months ended December 31, 2008, we recorded no gain or loss on the sale of properties and other assets, as compared to a gain of \$3.2 million for 2007, which was primarily attributable to the gain on the sale of our unconsolidated investments.

Foreign currency exchange gain (loss)

We recorded a loss on foreign currency exchange of \$145,000 for the year ended December 31, 2008 as compared with a \$321,000 loss for the comparable period of 2007. This decrease is primarily due to the strengthening of the U.S. Dollar compared to the Euro in 2008.

Gain on the early extinguishment of debt

In 2008, we repurchased \$6 million of the 5.00% Convertible Senior Notes for \$5.3 million plus accrued interest of \$109,347. Additionally, we expensed \$241,965 of prepaid loan fees that were attributable to the repurchased notes. This resulted in a \$458,535 gain on the early extinguishment of debt. For the year ended December 31, 2007 we did not repurchase any of the 5.00% Convertible Senior Notes.

Interest and other income

Interest and other income was \$775,000 for the year ended December 31, 2008 as compared with \$1.4 million in the comparable period of 2007. The decrease is due primarily to having a lower average cash balance in 2008, as compared to 2007 and a decline in interest rates during the later part of 2008.

Interest expense, net of interest capitalization

Interest expense was \$4.2 million for the year ended December 31, 2008, as compared to \$3.5 million for the comparable period of 2007. The increase is primarily due to \$3.7 million of interest that was capitalized in 2007, as opposed to \$1 million in 2008 and due to a full year of interest on the International Finance Corporation credit facility in 2008, as opposed to nine months of interest expense in 2007.

Provision for income taxes

For the year ended December 31, 2008 we reported income tax expense of \$5.5 million, compared to a benefit of \$1.4 million for the same period of 2007. This increase is primarily due to an increase in the French tax provision of \$4 million due to higher taxable income in 2008 and an increase in the valuation allowance, relating to the United States, to reflect the likelihood that additional income tax would not be generated to offset losses \$2.9 million.

Loss available to common shares

For the year ended December 31, 2008, we reported a loss from continuing operations net of taxes of \$7 million, compared with a loss of \$4.5 million for the same period of 2007. For the twelve months ended December 31, 2008 we recorded a loss available to common shares of \$108.6 million versus a loss available to common shares of \$74.4 million for the year ended December 31, 2007.

Other comprehensive income (loss)

The most significant element of comprehensive income, other than net income, is foreign currency translation. As of December 31, 2008, we had accumulated an unrealized loss of \$5.3 million. For the year ended December 31, 2007, we had an unrealized gain of \$38.4 million. The decrease is a result of a change in accounting method regarding our intercompany accounts receivable due from our subsidiaries in Turkey, Romania and Hungary. The foreign exchange in the intercompany accounts receivable balance is reflected in current earnings, as a foreign exchange gain or loss, rather than in accumulated other comprehensive income.

The functional currency of our operations in France is the Euro. The exchange rate used to translate the financial position of the French operations at December 31, 2008 and 2007 is shown below:

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Euro	<u>\$ 1.3917</u>	<u>\$ 1.4721</u>

Results of discontinued operations — Comparison of Years Ended December 31, 2008 and 2007

On June 14, 2007, the Board of Directors authorized management to sell all our oil and natural gas properties in the United States. The sale of these properties completed the divestiture of the company's non-core domestic assets and allowed us to focus exclusively on our International operations. The sale was closed on September 1, 2007. The sales price was \$19.1 million which resulted in a pre-tax gain of \$9.2 million, which was recorded in September 2007.

In the fourth quarter of 2008 and during the first quarter of 2009, Toreador farmed out or sold all of its working interests in Romania to three different companies and closed its office; thus, we no longer have any operational involvement in Romania. This resulted in a financial gain of \$5.8 million which was recorded in the first quarter of 2009.

In February 2009, the Board of Directors authorized management to retain Stellar Energy Advisors, based in London, UK, to manage a process to monetize its wholly owned subsidiary, Toreador Turkey, including the Company's remaining 10% interest in the SASB, in addition to the onshore production, and 2.2 million net acres in exploration licenses that are currently held in Turkey. On September 30, 2009, the Company entered into the Share Purchase Agreement with Tiway, pursuant to which the Company agreed to sell 100% of the outstanding shares of Toreador Turkey to Tiway. The sale of Toreador Turkey was completed on October 7, 2009. This resulted in a financial gain of \$1.8 million which was recorded in the fourth quarter of 2009.

On March 3, 2009 we completed the sale of a 26.75% interest in the South Akcakoca Sub-Basin (SASB) project associated licenses located in the Black Sea offshore Turkey, to Petrol Ofisi for \$55 million. In accordance with the revised assignment announced on February 3, 2009, \$50 million of the proceeds was paid by Petrol Ofisi on March 3, 2009, and the remaining \$5 million was paid on September 1, 2009.

Additionally, on September 30, 2009, the Company entered into the Quota Purchase Agreement with RAG, pursuant to which the Company agreed to sell 100% of its equity interests in Toreador Hungary to RAG. The sale of Toreador Hungary was completed on September 30, 2009. This resulted in a financial loss of \$4.1 million which was recorded in the third quarter of 2009.

[Table of Contents](#)

The results of operations of assets in the United States, Romania, Turkey and Hungary have been presented as discontinued operations in the accompanying consolidated statement of operations. Results for these assets reported as discontinued operations were as follows:

The table below compares discontinued operations for the years ended December 31, 2008 and 2007:

	<u>Year Ended December 31</u>	
	<u>2008</u>	<u>2007</u>
	<u>(In thousands)</u>	
Revenues:		
Oil and natural gas sales	\$ 28,226	\$ 20,273
Costs and expenses:		
Lease operating	7,971	6,892
Exploration expense	4,582	11,324
Impairment of oil and natural gas properties	82,951	13,446
Depreciation, depletion and amortization	28,148	17,466
Dry hole costs	—	18,096
General and administrative	2,445	5,131
(Gain) loss on sale of properties	123	(9,248)
Total costs and expenses	<u>126,220</u>	<u>63,107</u>
Operating loss	(97,994)	(42,834)
Other income(expense)		
Foreign currency	(342)	(25,984)
Interest income	1,004	445
Interest expense	(3,679)	(822)
Total other income (expense)	<u>(3,017)</u>	<u>(26,361)</u>
Loss before taxes	(101,011)	(69,195)
Income tax provision	574	678
Loss from discontinued operations	<u>\$ (101,585)</u>	<u>\$ (69,873)</u>

For the Years Ended December 31,					
		2008	2007		
Production:			Average Price:		
Oil (MBbls):			Oil (\$/Bbl):		
United States		—	38	United States	— 60.14
Turkey		56	66	Turkey	93.21 61.98
Romania		3	10	Romania	57.97 57.59
Total		<u>59</u>	<u>114</u>	Total average oil price	91.25 61.42
Gas (MMcf):			Gas (\$/Mcf):		
United States		—	296	United States	— 6.67
Turkey		1,840	905	Turkey	11.14 8.60
Romania		446	689	Romania	5.32 4.90
Total		<u>2,286</u>	<u>1,890</u>	Total average gas price	10.00 6.92
MBOE:			\$/ BOE:		
United States		—	87	United States	— 48.25
Turkey		363	217	Turkey	70.88 54.77
Romania		77	124	Romania	32.99 31.55
Total		<u>440</u>	<u>428</u>	Total average price per BOE	64.20 46.69

Revenues

Oil and natural gas sales

Oil and natural gas sales for the twelve months ended December 31, 2008 were \$28.2 million, as compared to \$20.3 million for the comparable period in 2007. This increase is due to 1) the increase in the average realized price for oil, \$1.8 million; 2) the increase in the average realized price for gas, \$2.6 million and 3) increased Turkish gas volumes, \$10.4 million. This was partially offset by a 1) reduction in total oil production of 17 MBbls or \$1 million; 2) a reduction in Romanian gas production of 243 MMcf or \$1.3 million and 3) no United States revenue in 2008 compared to \$4.4 in 2007.

The decline in Turkey oil production is normal decline and in Romania the gas field was depleting quicker than anticipated.

Costs and expenses

Lease operating

Lease operating expense was \$8 million, or \$17.95 per BOE produced for the twelve months ended December 31, 2008, as compared to \$6.9 million, or \$16.08 per BOE produced for the comparable period in 2007. This increase is primarily due to increased operating costs in offshore Turkey due primarily to the field being on production for all of 2008, as opposed to nine months in 2007 and workover costs incurred on the East Ayazli wells which developed problems sustaining adequate pressure in order for the wells to continue producing, increased operating expense in Romania due to increased workover cost incurred to increase production and due to inflation in the oil and gas industry during 2008 as compared to 2007.

Exploration expense

Exploration expense for the twelve months ended December 31, 2008 was \$4.6 million, as compared to \$11.3 million for the comparable period in 2007. This decrease is due primarily to the reduction of staff in the exploration department in Dallas. In 2008, there were no seismic surveys performed, compared to a \$6.2 million 2D seismic survey that was done in Romania during the third quarter of 2007.

Dry hole and abandonment

Dry hole and abandonment cost for the twelve months ended December 31, 2008 was zero, as compared to \$18 million in 2007. During 2008, we participated in the drilling of two exploratory wells in Hungary which were both dry holes. However, we incurred zero dry hole costs because our partners paid our share of the costs as per the farmout agreement. During 2007 we drilled three dry holes in Romania \$10 million, two dry holes in Hungary costing \$3.5 million and one dry hole in Turkey costing \$4.5 million. Additionally, the Company made a strategic decision to no longer drill 100% exploratory wells or fund 100% seismic programs on exploratory acreage. We have begun a systematic process of farming out our exploratory prospects to industry partners. The terms of farm outs have been and will generally be structured so that the farmee will pay at least a majority of all seismic costs and drill an exploratory well to casing point in order to earn a 50%-75% working interest in the prospect or concession.

Depreciation, depletion and amortization.

For the twelve months ended December 31, 2008, depreciation, depletion and amortization expense was \$28.1 million, or \$63.86 per BOE produced, as compared to \$17.5 million, or \$40.79 per BOE produced for the twelve months ended December 31, 2007. This increase is primarily due to the start of natural gas production in offshore Turkey in May 2007, from two of the three platforms, and in May 2008 we began production from the third platform. The depreciation rate per BOE in Turkey is excessively high due to cost overruns in the development of the offshore gas field, in addition to the reduction in proved reserves at December 31, 2008.

Impairment of oil and natural gas properties

Impairment charged in 2008 was \$83 million compared to \$13.4 million in 2007. The impairment was a result of the following:

(1) In 2008, the impairment charge in Turkey was a result of a decline in the fair market value of the Company's interest in South Akcakoca Sub-Basin assets. In June 2008, we determined the fair market value based on a Letter of Intent to sell a 26.75% interest in the South Akcakoca Sub-Basin assets to Petrol Ofisi AS for \$80.3 million. This sale price indicated that the fair value of our 36.75% working interest was approximately \$103.8 million. The net book value of the Black Sea asset at June 30, 2008 was \$157.3 million, resulting in an impairment of \$53.5 million.

(2) In January 2009, the Company and Petrol Ofisi agreed to a revised purchase price of \$55 million. This resulted in an impairment on assets held for sale, which is comprised of the 26.75% interest in the South Akcakoca Sub-basin assets, of \$25.6 million.

(3) In December 2008, we incurred an additional \$2.4 million impairment charge in Turkey for assets that were unrelated to the sale of South Akcakoca Sub-Basin assets. The impairment was a result of writing off an exploratory well where sufficient progress was not made to develop the area and a plan of development will not be prepared, by the operator, in the foreseeable future.

(4) When recording the acquisition of Madison Oil in 2002, we recorded \$833,000 of goodwill associated with the Turkish assets. We periodically review the value of goodwill to determine if an impairment is required. The review at December 31, 2008, indicated that the total amount recorded for goodwill should be impaired. The reason for this impairment is due to the fair value of the Turkish subsidiary, based on the discounted present value of the oil and gas reserves being less than the carrying value of the Turkish subsidiary. This resulted in an impairment charge of \$833,000.

(5) In December 2008, we recorded an impairment in Romania of \$600,000 due to the net book value of the oil and natural gas properties exceeding future cash flows.

[Table of Contents](#)

For the year ended December 31, 2007, we recorded an impairment due to the downward revisions of proved reserves in the Fauresti Field in Romania. At December 31, 2007 the cash flow before income tax and the discounted future cash flows attributable to our proved oil and natural gas reserves before income tax, discounted at 10% attributable to the 134 MBOE, in Romania, was \$1.2 million and \$1.1 million, respectively, and the net book value of asset was \$14.5 million. This resulted in an impairment charge of \$13.4 million.

General and administrative

General and administrative expense was \$2.4 million for the twelve months ended December 31, 2008, compared with \$5.1 million for the comparable period of 2007. The decrease is attributable to the reduced activity during 2008.

Selected Quarterly Financial Data (Unaudited)

We derived the selected historical financial data in the table below from our unaudited interim consolidated financial statements. The sum of net income per share by quarter may not equal the net income per share for the year due to variations in the weighted average shares outstanding used in computing such amounts. The historical data presented here is only a summary and should be read in conjunction with the consolidated financial statements, related notes and other financial information included elsewhere in this annual report.

	Three Months Ended			
	March 31,	June 30,	September 30,	December 31,
	(in thousands, except per share data)			
<i>For the year ended</i>				
<i>December 31, 2009:</i>				
Total revenues	\$ 3,387	\$ 4,504	\$ 5,205	\$ 6,140
Total costs and expenses	8,471	8,748	7,012	11,184
Income (loss) from continuing operations, net of tax	(5,923)	(601)	(1,941)	(6,867)
Income (loss) from discontinued operations, net of tax	(4,953)	3,483	(10,518)	1,908
Net income (loss)	(10,876)	2,882	(12,459)	(4,959)
Income (loss) available to common shares	(10,876)	2,882	(12,459)	(4,959)
Basic income (loss) available to common shares per share	(0.54)	0.14	(0.59)	(0.24)
Diluted income (loss) available to common shares per share	(0.54)	0.14	(0.59)	(0.24)
<i>For the year ended</i>				
<i>December 31, 2008 :</i>				
Total revenues	\$ 8,850	\$ 10,987	\$ 9,641	\$ 4,672
Total costs and expenses	9,488	18,032	5,844	7,806
Income (loss) from continuing operations, net of tax	(638)	(7,045)	3,797	(3,134)
Income (loss) from discontinued operations, net of tax	(3,788)	(58,723)	(3,727)	(35,347)
Net income (loss)	(4,426)	(65,768)	70	(38,481)
Income available to common shares	(4,426)	(65,768)	70	(38,481)
Basic income available to common shares per share	(0.22)	(3.33)	—	(1.93)
Diluted income available to common shares per share	(0.22)	(3.33)	—	(1.93)

Off Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or material future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*

The risks inherent in our market-sensitive instruments are the potential loss arising from adverse changes in oil prices and foreign currency exchange rates as discussed below. The sensitivity analysis however, neither considers the effects that such adverse changes may have on overall economic activity nor does it consider additional actions we may take to mitigate our exposure to such changes. Actual results may differ.

The following quantitative and qualitative information is provided about financial instruments from which we may incur future earnings gains or losses from changes in commodity prices. We do not designate our derivatives as hedges; however, we do not enter into derivative or other financial instruments for trading purposes.

Oil Prices

We market our oil production primarily on a spot market basis. As a result, our earnings could be affected by changes in oil prices, regulatory matters or demand for oil. As market conditions dictate, from time to time we will lock in future oil prices using various hedging techniques. We do not use such financial instruments for trading purposes, and we are not a party to any leveraged derivatives.

Foreign Currency Exchange Rates

The functional currency of our French operations is the Euro. While our oil sales are calculated on a U.S. dollar basis, we are exposed to the risk that the values of our French assets will decrease and that the amounts of our French liabilities will increase.

Derivative Financial Instruments

At times we utilize commodity derivative instruments as part of our risk management program. These transactions are generally structured as either swaps or collar contracts. A swap has the effect of an outright sale at a specific price. A collar has the effect of creating a sale only if a floor or ceiling price is exceeded. These instruments (i) reduce the effect of the price fluctuations of the commodities we produce and sell and (ii) support our annual capital budgeting and expenditure plans. When we had our senior credit facilities that required these instruments, these instruments protected the amounts required for servicing outstanding debt and maximized the funds available under these facilities. The trading party that represents the other side of each of these transactions is known as a "counterparty." Currently we have the following derivative outstanding.

<u>Type</u>	<u>Period</u>	<u>Barrels</u>	<u>Floor</u>	<u>Ceiling</u>
Collar	January 1 — December 31, 2010	182,500	\$ 68.00	\$ 81.00

See Note 2 of Notes to Consolidated Financial Statements for a description of our accounting policies followed relative to derivative financial instruments and for specific information regarding the terms of our derivative financial instruments that are sensitive to changes in crude oil commodity prices.

Item 8. *Financial Statements and Supplementary Data.*

The Report of Independent Registered Public Accounting Firm and Consolidated Financial Statements are set forth beginning on page F-1 of this Annual Report on Form 10-K and are incorporated herein.

The financial statement schedules have been omitted because they are not applicable or the required information is shown in the Consolidated Financial Statements or the Notes to the Consolidated Financial Statements.

ITEM 9. *Changes In And Disagreements With Accountants On Accounting And Financial Disclosure.*

None.

Item 9A. *Controls and Procedures*

Corporate Disclosure Controls

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) that are designed to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this annual report. Based on that evaluation, our Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures as of December 31, 2009 were not effective as described below.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as that term is defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934, as amended. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Our control environment is the foundation for our system of internal control over financial reporting and is an integral part of our Code of Ethical Conduct and Business Practices, which sets the tone of our Company. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of our financial statements in accordance with U.S. generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

In order to evaluate the effectiveness of our internal control over financial reporting as of December 31, 2009, as required by Section 404 of the Sarbanes-Oxley Act of 2002, our management conducted an assessment, including testing, based on the criteria set forth in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO Framework"). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future

[Table of Contents](#)

periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting in connection with preparation of this annual report on Form 10-K for the year ended December 31, 2009. As a result of these assessments, a material weakness was identified and is described below. A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

- Our accounting and financial reporting procedures were not sufficiently designed to ensure consistent and complete application of our accounting policies and to prepare financial statements in accordance with accounting principles generally accepted in the United States. This includes the lack of a sufficient review of sensitive calculations, reconciliations and critical spreadsheets by personnel in key financial reporting positions.

Management believes the material weakness can be attributed to the significant changes the Company underwent during 2009, including the closing of its Dallas office and relocation of its headquarters to Paris and the change in management and finance department. The Company intends to review its internal procedures and for management, including the Chief Financial Officer, and a senior partner at the external accounting consulting firm it has engaged to actively strengthen the overall financial reporting and internal review process. Management does not believe it is cost effective at this time to hire additional staff and intends to continue to rely on the assistance of the external accounting consulting firm to prepare selected portions of the Company's financial statements with the increased level of review described above.

Based on our assessment, and because of the material weakness described above, management has concluded that our internal control over financial reporting was not effective as of December 31, 2009 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with generally accepted accounting principles.

Grant Thornton LLP, the independent registered public accounting firm that audited our consolidated financial statements included in this annual report on Form 10-K for the year ended December 31, 2009, has issued an attestation report on our internal control over financial reporting as of December 31, 2009, which is included in Item 8. "Financial Statements".

Changes in Internal Controls

For the quarter ended December 31, 2009, there were no changes to the system of internal controls.

Item 9B. Other Information.

None.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance.*

Information required by this item relating to our (i) directors, nominees for directors and executive officers, (ii) audit committee, (iii) Code of Ethical Conduct and Business Practices, (iv) changes in procedures by which security holders may recommend nominees to our board of directors, and (v) compliance with Section 16(a) of the Securities Exchange Act will be set forth in our Proxy Statement relating to the 2010 Annual Meeting of Stockholders, and that is incorporated herein by reference.

Item 11. *Executive Compensation.*

Information required by this item relating to executive compensation will be set forth in our Proxy Statement relating to the 2010 Annual Meeting of Stockholders and that is incorporated herein by reference.

Item 12. *Security Ownership Of Certain Beneficial Owners And Management And Related Stockholder Matters.*

Information required by this item relating to (i) security ownership of certain beneficial owners and management and (ii) securities authorized for issuance under equity compensation plans will be set forth in our Proxy Statement relating to the 2010 Annual Meeting of Stockholders and that is incorporated herein by reference.

Item 13. *Certain Relationships and Related Transactions, and Director Independence.*

Information required by this item relating to (i) certain business relationships and related transactions with management and (ii) other related parties and director independence will be set forth in our Proxy Statement relating to the 2010 Annual Meeting of Stockholders and that is incorporated herein by reference.

Item 14. *Principal Accountant Fees And Services.*

The information relating to (i) fees billed to the Company by the independent public accountants for services in 2009 and 2008 and (ii) audit committee's pre-approval policies and procedures for audit and non-audit services, will be set forth in our Proxy Statement relating to the 2010 Annual Meeting of Stockholders and that is incorporated herein by reference.

PART IV

ITEM 15. *Exhibits and Financial Statement Schedules.*

(a) The following documents are filed as part of this report:

1. Index to Consolidated Financial Statements, Reports of Independent Registered Public Accounting Firm, Consolidated Balance Sheets as of December 31, 2009 and 2008, Consolidated Statements of Operations and Comprehensive Income (Loss) for each of the three years in the period ended December 31, 2009, Consolidated Statements of Changes in Stockholders' Equity for each of the three years in the period ended December 31, 2009, Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2009, and Notes to Consolidated Financial Statements.

2. The financial statement schedules have been omitted because they are not applicable or the required information is shown in the Consolidated Financial Statements or the Notes to Consolidated Financial Statements.

3. *Exhibits:* The exhibits required to be filed by this Item 15 are set forth in the Index to Exhibits accompanying this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

March 16, 2010

TOREADOR RESOURCES CORPORATION

/s/ Craig M. McKenzie

Craig M. McKenzie
President and Chief Executive Officer

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned officers and directors of Toreador Resources Corporation hereby constitutes and appoints Craig M. McKenzie and Marc Sengès, or either of them (with full power to each of them to act alone), his true and lawful attorneys-in-fact and agents, with full power of substitution, for him and on his behalf and in his name, place and stead, in any and all capacities, to sign, execute and file any and all amendments (including post-effective amendments) to this Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys, and each of them, full power and authority to do so and perform each and every act and thing requisite and necessary to be done in and about the premises in order to effectuate the same as full to all intents and purposes as he himself might or could do if personally present, thereby ratifying and confirming all that said attorneys-in-fact and agents, or either of them, or their or his substitute or substitutes, may lawfully do or cause to be done.

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

<u>Signature</u>	<u>Capacity in Which Signed</u>	<u>Date</u>
<u>/s/ Craig M. McKenzie</u> Craig M. McKenzie	President, Chief Executive Officer and Director (Principal Executive Officer)	March 16, 2010
<u>/s/ Marc Sengès</u> Marc Sengès	Chief Financial Officer (Principal Financial and Accounting Officer)	March 16, 2010
<u>/s/ Peter Hill</u> Peter Hill	Chairman and Director	March 16, 2010
<u>/s/ Julien Balkany</u> Julien Balkany	Director	March 16, 2010
<u>/s/ Ian Vann</u> Ian Van	Director	March 16, 2010
<u>/s/ Bernard Polge de Combret</u> Bernard Polge de Combret	Director	March 16, 2010
<u>/s/ Herbert Williamson</u> Herbert Williamson	Director	March 16, 2010
<u>/s/ Adam Kroloff</u> Adam Kroloff	Director	March 16, 2010

INDEX TO EXHIBITS

<u>Exhibit Number</u>	<u>Description</u>
2.1	Agreement for Purchase and Sale among Toredor Resources Corporation, Toredor Exploration & Production Inc. and Toredor Acquisition Corporation, as Sellers, and RTF Realty Inc., as Buyer dated August 2, 2007 (previously filed as Exhibit 10.1 to the Current Report on Form 8-K filed on August 6, 2007 and incorporated herein by reference).
2.2	Letter of Intent by and between Toredor Turkey Limited and Toredor Turkey Limited, Ankara Turkey Branch, and PETROL OFISI AS, dated August 8, 2008 (previously filed as Exhibit 2.1 to the Current Report on Form 8-K filed on August 13, 2008 and incorporated herein by reference).
2.3	Assignment Agreement between PETROL OFISI AS, PETROL OFISI ARAMA URETİM SANAYİ ve TICARET ANONİM ŞİRKETİ and Toredor Turkey Limited, Toredor Turkey Limited, Ankara Turkey Branch and Toredor Resources Corporation, dated September 17, 2008 (previously filed as Exhibit 2.2 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2008 and incorporated herein by reference).
2.4	Amendment Protocol dated January 30, 2009 relating to the Assignment Agreement between PETROL OFISI AS, PETROL OFISI ARAMA URETİM SANAYİ ve TICARET ANONİM ŞİRKETİ and Toredor Turkey Limited, Toredor Turkey Limited, Ankara Turkey Branch and Toredor Resources Corporation, dated September 17, 2008 (previously filed as Exhibit 2.1 to the Current Report on Form 8-K filed on February 4, 2009 and incorporated herein by reference).
3.1	Restated Certificate of Incorporation of Toredor Resources Corporation (previously filed as Exhibit 3.1 to the Current Report on Form 8-K filed on March 29, 2005 and incorporated herein by reference).
3.2	Fourth Amended and Restated Bylaws of Toredor Resources Corporation (previously filed as Exhibit 3.1 to the Current Report on Form 8-K filed on November 13, 2007 and incorporated herein by reference).
4.1	Certificate of Designation, Preferences and Rights of Series B Preferred Stock (previously filed as Exhibit 3.1 to the Current Report on Form 8-K filed on November 24, 2008 and incorporated herein by reference).
4.2	Indenture dated as of September 27, 2005 by and between Toredor Resources Corporation and The Bank of New York Trust Company, N.A. (previously filed as Exhibit 4.19 to the Registration Statement on Form S-3 (333-129628) filed on November 10, 2005 and incorporated herein by reference).
4.3	Rights Agreement dated as of November 20, 2008 between Toredor Resources Corporation and American Stock Transfer, as Rights Agent (previously filed as Exhibit 4.1 to the Form 8-A filed on November 24, 2008 and incorporated herein by reference).
4.4	Indenture dated as of February 1, 2010, by and between Toredor Resources Corporation and The Bank of New York Trust Company, N.A. (previously filed as Exhibit 4.1 to the Current Report on Form 8-K filed on February 3, 2010 and incorporated herein by reference).
4.5*	Warrant No. 32 issued by Toredor Resources Corporation to ParCon Consulting on January 3, 2006.
10.1+	Toredor Resources Corporation Amended and Restated 1990 Stock Option Plan, effective as of September 24, 1998 (previously filed as Exhibit 10.4 to the Annual Report on Form 10-K for the year ended December 31, 2004 and incorporated herein by reference).

Table of Contents

<u>Exhibit Number</u>	<u>Description</u>
10.2+	Amendment Number One to Toreador Resources Corporation Amended and Restated 1990 Stock Option Plan (previously filed as Exhibit 10.4 to the Annual Report on Form 10-K for the year ended December 31, 2007 and incorporated herein by reference).
10.3+	Amendment Number Two to Toreador Resources Corporation Amended and Restated 1990 Stock Option Plan (previously filed as Exhibit 10.5 to the Annual Report on Form 10-K for the year ended December 31, 2007 and incorporated herein by reference).
10.4+	Toreador Resources Corporation Amended and Restated 1994 Non-employee Director Stock Option Plan (previously filed as Exhibit 10.7 to the Annual Report on Form 10-K for the year ended December 31, 2007 and incorporated herein by reference).
10.5+	Toreador Resources Corporation 2002 Stock Option Plan (previously filed as Exhibit 10.8 to the Annual Report on Form 10-K for the year ended December 31, 2007 and incorporated herein by reference).
10.6+	Amendment Number One to the Toreador Resources Corporation 2002 Stock Option Plan (previously filed as Exhibit 10.9 to the Annual Report on Form 10-K for the year ended December 31, 2007 and incorporated herein by reference).
10.7+	Toreador Resources Corporation 2005 Long-Term Incentive Plan (previously filed as Exhibit 10.1 to Toreador Resources Corporation Current Report on Form 8-K filed on May 23, 2005 and incorporated herein by reference).
10.8+	Amendment Number One to Toreador Resources Corporation 2005 Long-Term Incentive Plan (previously filed as Exhibit 10.1 to the Current Report on Form 8-K filed on May 12, 2006 and incorporated herein by reference).
10.9+	Amendment Number Two to Toreador Resources Corporation 2005 Long-Term Incentive Plan (previously filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 and incorporated herein by reference).
10.10+	Amendment Number Three to Toreador Resources Corporation 2005 Long-Term Incentive Plan (previously filed as Exhibit 4.7 to the Registration Statement on Form S-8 filed on May 15, 2008 and incorporated herein by reference).
10.11+	Employment Agreement of Nigel Lovett dated March 14, 2007 (previously filed as Exhibit 10.33 to the Registration Statement on Form S-1 filed on May 8, 2007 and incorporated herein by reference).
10.12	Contract for the Supply of Crude Oil from the Parisian Basin, effective January 1, 1997, between Elf Antwar France and Midland Madison Petroleum Company (n/k/a Toreador Energy France) (previously filed as Exhibit 10.43 to the Annual Report on Form 10-K for the year ended December 31, 2007 and incorporated herein by reference).
10.13	Amendment No. 1 dated August 9, 2007 to Loan and Guarantee Agreement dated December 28, 2006 between Toreador Resources Corporation, Toreador Turkey Ltd., Toreador Romania Ltd., Madison Oil France SAS, Toreador Energy France S.C.S., Toreador International Holding Limited Liability Company and Toreador International Finance Corporation (previously filed as Exhibit 10.1 to Toreador Resources Corporation Quarterly Report on Form 10-Q for the quarter ended September 30, 2007, File No. 0-2517, and incorporated hereby by reference).
10.14+	Release Agreement by and between David M. Brewer and Toreador Resources Corporation dated March 24, 2008 (previously filed as Exhibit 10.5 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 and incorporated herein by reference).

Table of Contents

<u>Exhibit Number</u>	<u>Description</u>
10.15+	2008 Discretionary Employee Bonus Policy (previously filed as Exhibit 10.10 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 and incorporated herein by reference).
10.16+	2008 Performance Goals and Payout Amounts (previously filed as Exhibit 10.11 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 and incorporated herein by reference).
10.17+	Summary Sheet — 2008 Director Compensation (previously filed as Exhibit 10.12 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 and incorporated herein by reference).
10.18	Waiver Letter dated May 3, 2008 by International Finance Corporation in favor of Toreador Resources Corporation, Toreador Turkey Ltd., Toreador Romania Ltd., Madison Oil France, SAS, Toreador Energy France S.C.S., and Toreador International Holding Limited Liability Company (previously filed as Exhibit 10.13 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, File No. 0-2517, and incorporated herein by reference).
10.19+	Form of Outside Director Stock Award Agreement (previously filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 and incorporated herein by reference).
10.20+	Nigel Lovett Nonqualified Stock Option Agreement dated May 15, 2008 (previously filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 and incorporated herein by reference).
10.21+	Nigel Lovett Incentive Stock Option Agreement dated May 15, 2008 (previously filed as Exhibit 10.4 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 and incorporated herein by reference).
10.22+	Nigel Lovett Restricted Stock Agreement dated May 15, 2008 (previously filed as Exhibit 10.5 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 and incorporated herein by reference).
10.23+	Separation Agreement and Release dated June 27, 2008 by and between Toreador Resources Corporation and Michael J. FitzGerald (previously filed as Exhibit 10.7 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 and incorporated herein by reference).
10.24+	Separation Agreement and Release dated June 27, 2008 by and between Toreador Resources Corporation and Edward Ramirez (previously filed as Exhibit 10.8 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 and incorporated herein by reference).
10.25+	First Amendment dated July 3, 2008 to the Separation Agreement and Release between Edward Ramirez and Toreador Resources Corporation dated June 27, 2008 (previously filed as Exhibit 10.9 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 and incorporated herein by reference).
10.26	Parent Corporate Guaranty by PETROL OFISI AS in favor of Toreador Turkey Limited and Toreador Turkey Limited, Ankara Turkey Branch, dated September 17, 2008 (previously filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2008 and incorporated herein by reference).
10.27	Form of Employee Restricted Stock Agreement (previously filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2008 and incorporated herein by reference).

Table of Contents

<u>Exhibit Number</u>	<u>Description</u>
10.28+	Summary Sheet regarding changes in Director Compensation (July 2008) (previously filed as Exhibit 10.4 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2008 and incorporated herein by reference).
10.29+	Settlement Agreement, dated January 22, 2009, among Toreador Resources Corporation, Nanes Balkany Partners I LP, John M. McLaughlin, Nigel J. Lovett, Craig M. McKenzie, Julien Balkany, and Peter Hill (previously filed as Exhibit 10.1 to the Current Report on Form 8-K filed on January 27, 2009 and incorporated herein by reference).
10.30+	Resignation and Mutual Release Agreement, dated January 22, 2009, between Toreador Resources Corporation and John M. McLaughlin (previously filed as Exhibit 10.2 to the Current Report on Form 8-K filed on January 27, 2009 and incorporated herein by reference).
10.31+	Separation and Mutual Release Agreement, dated January 22, 2009, between Toreador Resources Corporation and Nigel J. Lovett (previously filed as Exhibit 10.3 to the Current Report on Form 8-K filed on January 27, 2009 and incorporated herein by reference).
10.32+	Form of McLaughlin/Lovett Indemnity Agreement, dated January 22, 2009, for John M. McLaughlin and Nigel J. Lovett (previously filed as Exhibit 10.4 to the Current Report on Form 8-K filed on January 27, 2009 and incorporated herein by reference).
10.33+	Form of Director Indemnity Agreement, dated January 22, 2009, for current directors (previously filed as Exhibit 10.5 to the Current Report on Form 8-K filed on January 27, 2009 and incorporated herein by reference).
10.34+	Letter Agreement, dated January 22, 2009, between Toreador Resources Corporation and Craig M. McKenzie (previously filed as Exhibit 10.6 to the Current Report on Form 8-K filed on January 27, 2009 and incorporated herein by reference).
10.35+	Retention Agreement dated March 19, 2009 by and between Toreador Resources Corporation and Charles Campise (previously filed as Exhibit 10.1 to the Current Report on Form 8-K filed on March 23, 2009 and incorporated herein by reference).
10.36+	Employment Agreement by and between Toreador Resources Corporation and Craig McKenzie, dated August 24, 2009 (previously filed as Exhibit 10.1 to the Current Report on Form 8-K filed on August 24, 2009 and incorporated herein by reference)
10.37+	Employment Agreement by and between Toreador Resources Corporation and Marc Sengès dated September 15, 2009 (previously filed as Exhibit 10.1 to the Current Report on Form 8-K filed on September 17, 2009 and incorporated herein by reference).
10.38	Quota Purchase Agreement, dated September 30, 2009, between Toreador Resources Corporation and Rohöl-Aufsuchungs Aktiengesellschaft (previously filed as Exhibit 10.1 to the Current Report Form 8-K filed on October 6, 2009 and incorporated herein by reference).
10.39	Share Purchase Agreement dated September 30, 2009 among Toreador Resources Corporation, Tiway Oil BV and Tiway Oil AS (previously filed as Exhibit 10.1 to the Current Report on Form 8-K filed on October 6, 2009 and incorporated herein by reference).
12.1*	Computation of Ratio of Earnings to Fixed Charges.
21.1*	Subsidiaries of Toreador Resources Corporation.
23.1*	Consent of Grant Thornton LLP.
23.2*	Consent of Gaffney, Cline & Associates Ltd.
24.1*	Power of Attorney (included as part of the signature page).



[Table of Contents](#)

<u>Exhibit Number</u>	<u>Description</u>
31.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	French Ministry Documentation (previously filed as Exhibit 99.1 to the Amended Annual Report on Form 10-K/A for the year ended December 31, 2006 and incorporated herein by reference).
99.2*	Report of Gaffney, Cline & Associates Ltd.

* Filed herewith

+ Management contract or compensatory plan

Item 7. Financial Statements

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>Page</u>
Report of Independent Registered Public Accounting Firm	F-2
Financial Statements	
Consolidated Balance Sheets as of December 31, 2009 and 2008	F-5
Consolidated Statements of Operations and Comprehensive Income (Loss) for each of the three years in the period ended December 31, 2009	F-6
Consolidated Statements of Changes in Stockholders' Equity for each of the three years in the period ended December 31, 2009	F-7
Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2009	F-8
Notes to Consolidated Financial Statements	F-9

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Toreador Resources Corporation

We have audited Toreador Resources Corporation (a Delaware Corporation) and subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Annual Report on Internal Control Over Financial Reporting". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

A material weakness is a deficiency, or combination of control deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment.

- The Company's accounting and financial reporting procedures were not sufficiently designed to ensure consistent and complete application of accounting policies and to prepare financial statements in accordance with accounting principles generally accepted in the United States. This includes the lack of a sufficient review of sensitive calculations, reconciliations and critical spreadsheets by personnel in key financial reporting positions.

In our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control — Integrated Framework* issued by COSO.

[Table of Contents](#)

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Toreador Resources Corporation and subsidiaries as of December 31, 2009 and 2008, and the related statements of operations and comprehensive income (loss), changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2009. The material weakness identified above was considered in determining the nature, timing and extent of audit tests applied in our audit of the 2009 financial statements, and this report does not affect our report dated March 16, 2010, which expressed an unqualified opinion on those financial statements.

/s/ GRANT THORNTON LLP
Houston, Texas
March 16, 2010

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Toreador Resources Corporation

We have audited the accompanying consolidated balance sheets of Toreador Resources Corporation (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2009 and 2008, and the related consolidated statements of operations and comprehensive income (loss), changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Toreador Resources Corporation and subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, the Company has changed its reserve estimates and related disclosures as a result of adopting new oil and gas reserve estimation and disclosure requirements as of December 31, 2009.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 16, 2010 expressed an adverse opinion.

/s/ GRANT THORNTON LLP
Houston, Texas
March 16, 2010

TOREADOR RESOURCES CORPORATION**CONSOLIDATED BALANCE SHEETS**

	December 31,	
	2009	2008
(in thousands, except share and per share data)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 8,712	\$ 14,860
Accounts receivable	3,126	1,058
Oil and natural gas properties, net, held for sale	—	91,959
Income tax receivable	245	—
Other assets held for sale	—	14,963
Other	3,593	3,713
Total current assets	<u>15,676</u>	<u>126,553</u>
Oil and natural gas properties, net, using successful efforts method of accounting	74,621	72,753
Investments	200	200
Goodwill	3,973	3,838
Other assets	2,685	3,812
	<u>\$ 97,155</u>	<u>\$ 207,156</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 12,491	\$ 7,700
Liabilities held for sale	—	11,251
Deferred lease payable	107	93
Derivatives	886	—
Current portion of long-term debt	32,385	30,000
Income taxes payable	—	4,223
Total current liabilities	<u>45,869</u>	<u>53,267</u>
Accrued liabilities	385	501
Deferred lease payable	442	665
Asset retirement obligations	6,733	6,037
Deferred income tax liabilities	15,358	13,851
Convertible senior notes	22,231	80,275
Total liabilities	<u>91,018</u>	<u>154,596</u>
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Common stock, \$0.15625 par value, 30,000,000 shares authorized; 22,106,955 and 20,984,360 shares issued	3,454	3,279
Additional paid-in capital	170,895	166,484
Accumulated deficit	(176,578)	(151,169)
Accumulated other comprehensive income	10,900	36,500
Treasury stock at cost, 721,027 shares	(2,534)	(2,534)
Total stockholders' equity	<u>6,137</u>	<u>52,560</u>
	<u>\$ 97,155</u>	<u>\$ 207,156</u>

See accompanying notes to the consolidated financial statements

TOREADOR RESOURCES CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

	Year ended December 31,		
	2009	2008	2007
	(in thousands, except per share data)		
Revenue:			
Oil and natural gas sales	\$ 19,236	\$ 34,150	\$ 25,907
Operating costs and expenses:			
Lease operating expense	8,396	9,263	7,344
Exploration expense	138	1,224	3,523
Dry hole and abandonment	—	—	3,847
Depreciation, depletion and amortization	5,763	4,994	4,402
Impairment of oil and natural gas properties and intangible assets	—	2,282	—
General and administrative	20,360	13,042	12,507
Loss on oil and gas derivative contracts	879	1,781	1,005
Gain on sale of properties and other assets	(121)	—	(3,155)
Total operating costs and expenses	<u>35,415</u>	<u>32,586</u>	<u>29,473</u>
Operating income (loss)	(16,179)	1,564	(3,566)
Other income (expense):			
Equity in earnings of unconsolidated investments	—	—	22
Foreign currency exchange gain (loss)	169	(145)	(321)
Interest and other income	251	775	1,384
Gain on the extinguishment of debt	3,345	458	—
Interest expense	(3,368)	(4,170)	(3,469)
Total other income (expense)	<u>397</u>	<u>(3,082)</u>	<u>(2,384)</u>
Loss from continuing operations before income taxes	(15,782)	(1,518)	(5,950)
Income tax benefit (provision)	450	(5,502)	1,402
Loss from continuing operations, net of tax	(15,332)	(7,020)	(4,548)
Loss from discontinued operations, net of tax	(10,080)	(101,585)	(69,873)
Net loss	(25,412)	(108,605)	(74,421)
Preferred dividends	—	—	(162)
Loss available to common shares	<u>\$ (25,412)</u>	<u>\$ (108,605)</u>	<u>\$ (74,583)</u>
Basic loss available to common shares per share from:			
Continuing operations	\$ (0.75)	\$ (0.35)	\$ (0.26)
Discontinued operations	(0.49)	(5.13)	(3.81)
	<u>\$ (1.24)</u>	<u>\$ (5.48)</u>	<u>\$ (4.07)</u>
Diluted loss available to common shares per share from:			
Continuing operations	\$ (0.75)	\$ (0.35)	\$ (0.26)
Discontinued operations	(0.49)	(5.13)	(3.81)
	<u>\$ (1.24)</u>	<u>\$ (5.48)</u>	<u>\$ (4.07)</u>
Weighted average shares outstanding:			
Basic	20,564	19,831	18,358
Diluted	20,564	19,831	18,358
Statement of Comprehensive Loss			
Net loss	\$ (25,412)	\$ (108,605)	\$ (74,421)
Foreign currency translation adjustments	4,561	(5,254)	38,431
Foreign currency translation adjustments subsidiaries sold	(30,161)	—	—
Comprehensive income loss	<u>\$ (51,012)</u>	<u>\$ (113,859)</u>	<u>\$ (35,990)</u>

See accompanying notes to the consolidated financial statements.

options	—	—	31	5	109	—	—	—	114
Return stock options exercised	—	—	(30)	(5)	(158)	—	—	—	(163)
Issuance of restricted stock, net of forfeitures	—	—	1,122	175	(175)	—	—	—	—
Stock option expense	—	—	—	—	38	—	—	—	38
Amortization of deferred stock compensation expense	—	—	—	—	4,618	—	—	—	4,618
Net loss	—	—	—	—	—	(25,412)	—	—	(25,412)
Foreign currency translation adjustment	—	—	—	—	—	—	4,561	—	4,561
Foreign currency translation adjustment subsidiaries sold	—	—	—	—	—	—	(30,161)	—	(30,161)
Tax effect of restricted stock	—	—	—	—	(21)	—	—	—	(21)
Other	—	—	—	—	—	3	—	—	3
Balance at December 31, 2009	—	—	22,107	\$ 3,454	\$ 170,895	\$ (176,578)	\$ 10,900	\$ (2,534)	\$ 6,137

See accompanying notes to the consolidated financial statements.

TOREADOR RESOURCES CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31		
	2009	2008	2007
	(in thousands)		
Cash flows from operating activities:			
Net loss	\$ (25,412)	\$ (108,605)	\$ (74,421)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities			
Depreciation, depletion and amortization	5,920	33,141	21,868
Amortization of deferred debt issuance costs	158	338	612
Impairment of oil and natural gas properties and intangible assets	10,725	85,233	13,446
Dry hole and abandonment costs	1,318	—	21,840
Deferred income taxes	968	—	(3,425)
Unrealized loss on commodity derivatives	886	—	192
Gain on sale of properties and equipment	(121)	—	343
Gain on the sale of discontinued operations	(3,582)	123	(9,244)
Loss on the extinguishment of debt	1,554	(458)	—
Equity in earnings of unconsolidated investments	—	—	(22)
Stock-based compensation	4,656	2,325	4,031
Gain on sale of unconsolidated investments	—	—	(3,502)
Change in operating assets and liabilities, net of acquisitions			
Decrease (increase) in accounts receivable	(2,069)	2,027	1,020
Decrease (increase) in income taxes receivable	—	—	715
Decrease (increase) in other current assets	(125)	135	(130)
Decrease (increase) in assets and liabilities held for sale	(3,050)	604	13,504
Increase (decrease) in accounts payable and accrued liabilities	5,187	858	(1,826)
Increase (decrease) in lease payable	(114)	(19)	661
Decrease in other assets	(21)	108	1,466
Increase (decrease) in income taxes payable	(4,223)	956	439
Net cash provided by (used in) operating activities	(7,345)	16,766	(12,434)
Cash flows from investing activities:			
Expenditures for property and equipment	(7,914)	(10,702)	(90,644)
Restricted cash	—	8,685	1,243
Proceeds from the sale of properties and equipment	70,851	—	21,002
Distributions from unconsolidated entities	—	—	60
Sale (purchase) of short-term investments	—	—	(500)
Sale (purchase) of investments in unconsolidated entities	—	—	6,123
Net cash used in investing activities	62,937	(2,017)	(62,716)
Cash flows from financing activities:			
Net borrowings under revolving credit arrangements	—	—	3,450
Exercise of stock options, net of returns	(49)	745	1,624
Proceeds from issuance of common stock, net of issuance cost of \$0, \$32 and \$2,965	—	(32)	47,448
Payments of long term debt	(57,712)	(5,275)	—
Payment of preferred dividends	—	—	(162)
Net cash provided by (used in) financing activities	(57,761)	(4,562)	52,360
Net increase (decrease) in cash and cash equivalents	(2,169)	10,187	(22,790)
Effects of foreign currency translation on cash and cash equivalents	(3,979)	(3,731)	26,806
Cash and cash equivalents, beginning of year	14,860	8,404	4,388
Cash and cash equivalents, end of year	\$ 8,712	\$ 14,860	\$ 8,404
Supplemental disclosures:			
Cash paid during the period for interest, net of interest capitalized	\$ 3,169	\$ 5,626	\$ 2,927
Cash paid during the period for income taxes	\$ 4,032	\$ 3,058	\$ 2,761
Non-cash investing and financing activities			
Conversion of preferred stock to common stock	—	—	72
Additions to oil and natural gas properties related to asset retirement obligations	—	1,294	1,964

TOREADOR RESOURCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — DESCRIPTION OF BUSINESS

Toreador Resources Corporation ("Toreador") is an independent energy company engaged in the exploration and production of crude oil interests in developed and underdeveloped oil properties in the Paris Basin, France. The accompanying consolidated financial statements are presented in U.S. dollars and in accordance with accounting principles generally accepted in the United States.

BASIS OF PRESENTATION

Toreador consolidates all of its majority-owned subsidiaries (collectively, "we," "us," "our," or the "Company"). All intercompany accounts and transactions are eliminated in consolidation. We account for our investments in entities in which we hold less than a majority interest under the equity method.

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES

The preparation of the consolidated financial statements requires management of the Company to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

The Company's estimates of crude oil and natural gas reserves are the most significant estimates used. All of the reserve data in the Annual Report on Form 10-K for the year ended December 31, 2009 are estimates. Reservoir engineering is a subjective process of estimating underground accumulations of crude oil and natural gas. There are numerous uncertainties inherent in estimating quantities of proved crude oil and natural gas reserves. The accuracy of any reserve estimates is a function of the quality of available data and of engineering and geological interpretation and judgment. As a result, reserve estimates may be different from the quantities of crude oil and natural gas that are ultimately recovered.

Other items subject to estimates and assumptions include the carrying amounts of oil and natural gas properties, goodwill, asset retirement obligations derivative financial instruments and deferred income tax assets. Actual results could differ significantly from those estimates.

CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

Cash and cash equivalents include cash on hand, amounts due from banks and all highly liquid investments with original maturities of three months or less. We maintain our cash in bank deposit accounts, substantially all of which exceed federally insured limits. We have not experienced any losses in such accounts.

As of December 31, 2009 and 2008 we had \$8.6 million and \$12.2 million, respectively, on deposit in foreign banks.

CONCENTRATION OF CREDIT RISK AND ACCOUNTS RECEIVABLE

Financial instruments that potentially subject us to a concentration of credit risk consist principally of cash, accounts receivable, and our hedging and derivative financial instruments. We place our cash with high credit quality financial institutions. We sell oil to one customer, Total. Substantially all of our accounts receivable are due from the purchaser of oil production. We place our hedging and derivative financial instruments with financial institutions and other firms that we believe have high credit ratings. For a discussion of the credit risks associated with our hedging activities, please see "Derivative Financial Instruments" below.

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

We periodically review the collectability of accounts receivable and record a valuation allowance for those accounts which are, in our judgment, unlikely to be collected. We have not had any significant credit losses in the past and we believe our accounts receivable are fully collectable with the exception of the current allowance.

DERIVATIVES

We periodically utilize derivatives instruments such as futures and swaps for purposes of hedging our exposure to fluctuations in the price of crude oil sales. We have elected not to designate the derivative financial instruments to which we are a party as hedges, and accordingly, we record such contracts at fair value and recognize changes in such fair value in current earnings as they occur. We determine the fair value of futures and swap contracts based on the difference between their fixed contract price and the underlying market price at the determination date. The realized and unrealized gains and losses on derivatives are recorded as a derivative fair value gain or loss in the income statement.

FINANCIAL INSTRUMENTS

The carrying amounts of financial instruments including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate fair value, at December 31, 2009 and 2008, due to the short-term nature or maturity of the instruments.

The current portion of long-term debt approximated fair value based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same maturities.

On December 31, 2009 the 5% convertible senior notes which had a book value of \$54.6 million, were trading at or near par value, which would equal a fair market value of approximately \$52.416 million.

INVENTORIES

At December 31, 2009 and 2008, other current assets included \$3.2 million, and \$727,000 of inventory, respectively. Those amounts consist of tubular goods and crude oil held in storage tanks. Inventories are stated at the lower of actual cost or market based on the average cost method.

OIL AND NATURAL GAS PROPERTIES

We follow the successful efforts method of accounting for oil and natural gas exploration and development expenditures. Under this method, costs of successful exploratory wells and all development wells are capitalized. Costs to drill exploratory wells that do not find proved reserves are expensed. Significant costs associated with the acquisition of oil and natural gas properties are capitalized. Upon sale or abandonment of units of property or the disposition of miscellaneous equipment, the cost is removed from the asset account, net of the accumulated depreciation or depletion, and the gain or loss is credited to or charged against operations.

Maintenance and repairs are charged to expense; betterments of property are capitalized and depreciated as described above.

We capitalize interest on major projects that require an extended period of time to complete. Interest capitalized in 2009, 2008 and 2007 was \$355,000, \$1 million, and \$3.7 million, respectively.

We record furniture, fixtures and equipment at cost.

TOREADOR RESOURCES CORPORATION**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)*****OIL AND NATURAL GAS PROPERTIES HELD FOR SALE***

In the fourth quarter of 2008 and during the first quarter of 2009, Toreador farmed out or sold all of its working interests in Romania to three different companies and closed its office; thus, we no longer have any operational involvement in Romania. This resulted in a gain of \$5.8 million which was recorded in the first quarter of 2009. We retained a royalty of 1.5% of gross proceeds from oil and gas sales from the Fauresti Field.

On March 3, 2009 we completed the sale of a 26.75% interest in the South Akcakoca Sub-Basin (SASB) project associated licenses located in the Black Sea offshore Turkey, to Petrol Ofisi for \$55 million. In accordance with the revised assignment announced on February 3, 2009, \$50 million of the proceeds was paid by Petrol Ofisi on March 3, 2009, and the remaining \$5 million was paid on September 1, 2009. There was no gain or loss resulting from this sale.

On September 30, 2009, the Company entered into a Share Purchase Agreement (the "Share Purchase Agreement") with Tiway Oil BV, a company organized under the laws of the Netherlands ("Tiway"), and Tiway Oil AS, a company organized under the laws of Norway, pursuant to which the Company agreed to sell 100% of the outstanding shares of Toreador Turkey Ltd. ("Toreador Turkey") to Tiway for total consideration consisting of: (1) a cash payment of \$10.5 million to be paid at closing, (2) exploration success payments dependent upon certain future commercial discoveries as provided in the Share Purchase Agreement, up to a maximum aggregate consideration of \$40 million, and (3) future quarterly 10% pre-tax net profit interest payments if a field goes into production that was discovered by an exploration well drilled within four years of closing on certain of the licenses then still held by Tiway. The sale of Toreador Turkey was completed on October 7, 2009 which resulted in a gain of \$1.8 million.

On September 30, 2009, the Company entered into a Quota Purchase Agreement (the "Quota Purchase Agreement") with RAG (Rohöl-Aufsuchungs Aktiengesellschaft), a corporation organized under the laws of Austria ("RAG"), pursuant to which the Company agreed to sell 100% of its equity interests in Toreador Hungary Limited ("Toreador Hungary") to RAG for total consideration consisting of (1) a cash payment of US\$5.4 million (€3.7 million) paid at closing, (2) US\$435,000 (€300,000), which was held back subject to a post closing adjustment and was paid to us on November 5, 2009, and (3) a contingent payment of US\$2.9 million (€2 million) to be paid upon post-transaction completion of agreements relating to certain assets of Toreador Hungary. The sale of Toreador Hungary was completed on September 30, 2009. The sale of Toreador Hungary resulted in a loss of \$4.1 million.

The net book balances of oil and gas properties has been reclassified to oil and natural gas properties held for sale. The table below reflects the amount that was transferred to oil and gas properties held for sale:

<u>For the Year Ended</u>	<u>Turkey</u>	<u>Hungary</u>	<u>Romania</u>	<u>Total</u>
December 31, 2008	\$ 74,740	\$ 17,219	\$ —	\$ 91,959

DEPRECIATION, DEPLETION AND AMORTIZATION

We provide depreciation, depletion and amortization of our investment in producing oil and natural gas properties on the units-of-production method, based upon independent reserve engineers' estimates of recoverable oil and natural gas reserves from the property. Depreciation expense for furniture, fixtures and equipment is leasehold improvements are amortized over shorter of its useful life or lease term generally calculated on a straight-line basis based upon estimated useful lives of three to seven years.

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

IMPAIRMENT OF ASSETS

We evaluate producing property costs for impairment and reduce such costs to fair value if the sum of expected undiscounted future cash flows is less than net book value pursuant to the Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 360, "Property, Plant, and Equipment". We assess impairment of non-producing leasehold costs and undeveloped mineral and royalty interests periodically on a property-by-property basis. We charge any impairment in value to expense in the period incurred.

Impairment charged in 2009 for continuing operations was zero as compared to \$2.3 million in 2008. The 2008 impairment was a result of the following:

(1) We recorded an impairment charge of \$2 million for the undeveloped leasehold costs in Trinidad, due to management's decision to exit Trinidad and discontinue our association with our registered agent in the country.

(2) In April 2007, we sold our interest in ePsolutions for \$3.4 million in cash and 50,000 shares of preferred stock with a value of \$10.00 per share. Due to the rising cost of electricity and the deterioration of the deregulated electric market in Texas, ePsolutions has reduced their forecasted growth for the next several years. Accordingly, we reduced our carrying value of our investment in ePsolutions by \$300,000 during 2008, which we believe more accurately reflects the current market value of this investment.

Impairment charged in 2009 for discontinued operations was \$10.7 million as compared to \$82.9 million in 2008. The 2009 impairment was a result of 1) the Company's decision not to proceed with the Kiha pipeline in Hungary \$5.4 million and 2) the decline in the fair market value of the South Akcakoca Sub-basin assets in Turkey for \$5.3 million. The 2008 impairment was due to:

(1) In 2008, the impairment charge in Turkey was a result of a decline in the fair market value of the Company's interest in South Akcakoca Sub-Basin assets. In June 2008, we determined the fair market value based on a Letter of Intent to sell a 26.75% interest in the South Akcakoca Sub-Basin assets to Petrol Ofisi AS for \$80.3 million. This sale price indicated that the fair value of our 36.75% working interest was approximately \$103.8 million. The net book value of the Black Sea asset at June 30, 2008 was \$157.3 million, resulting in an impairment of \$53.5 million.

(2) In January 2009, the Company and Petrol Ofisi agreed to a revised purchase price of \$55 million. This resulted in an impairment on assets held for sale as of December 31, 2008, which is comprised of the 26.75% interest in the South Akcakoca Sub-basin assets, of \$25.6 million.

(3) In December 2008, we incurred an additional \$2.4 million impairment charge in Turkey for assets that were unrelated to the sale of South Akcakoca Sub-Basin assets. The impairment was a result of writing off an exploratory well where sufficient progress was not made to develop the area and a plan of development will not be prepared, by the operator, in the foreseeable future.

(4) When recording the acquisition of Madison Oil in 2002, we recorded \$833,000 of goodwill associated with the Turkish assets. We periodically review the value of goodwill to determine if an impairment is required. The review at December 31, 2008, indicated that the total amount recorded for goodwill should be impaired. The reason for this impairment is due to the fair value of the Turkish subsidiary, based on the discounted present value of the oil and gas reserves being less than the carrying value of the Turkish subsidiary. This resulted in an impairment charge of \$833,000.

(5) In December 2008, we recorded an impairment in Romania of \$600,000 due to the net book value of the oil and natural gas properties exceeding future cash flows.

TOREADOR RESOURCES CORPORATION**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)****ASSET RETIREMENT OBLIGATIONS**

We account for our asset retirement obligations in accordance with FASB ASC 410, "Asset Retirement and Environmental Obligations", which requires us to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes a cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, we either settle the obligation for its recorded amount or incur a gain or loss upon settlement.

The following table summarizes the changes in our asset retirement liability during the years ended December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
	<u>(in thousands)</u>	
Asset retirement obligation January 1	\$ 6,037	\$ 5,106
Asset retirement accretion expense	507	357
Foreign currency exchange (gain) loss	189	(279)
Change in estimates	—	1,213
Property dispositions	—	(360)
Asset retirement obligation at December 31	<u>\$ 6,733</u>	<u>\$ 6,037</u>

GOODWILL

We account for goodwill in accordance with FASB ASC 350, "Intangibles — Goodwill and Other". Under ASC 350, goodwill and indefinite-lived intangible assets are not amortized but are reviewed annually (or more frequently if impairment indicators arise) for impairment. Separable intangible assets that are not deemed to have an indefinite life are amortized over their useful lives. At December 31, 2009 and 2008 we did not have any intangible assets that did not have an indefinite life.

We review annually at fiscal year end the value of goodwill recorded or more frequently if impairment indicators arise. We recognized \$0, \$883,000 and \$0 goodwill impairment during 2009, 2008 and 2007 respectively. The impairment of goodwill in 2008 was due to the fair value of the Turkish subsidiary, based on the discounted present value of the oil and gas reserves being less than the carrying value of the Turkish subsidiary. Goodwill was adjusted \$135,000 in 2009 and \$222,000 in 2008 for the foreign currency translation adjustment. The balance of goodwill at December 31, 2009 and 2008 is approximately \$4 million and \$3.8 million, respectively.

REVENUE RECOGNITION

Our French crude oil production accounts for substantially all of our sales. We sell our French crude oil to Total ("TOTAL"), and recognize the related revenues when the production is delivered to TOTAL's refinery, typically via truck. At the time of delivery to the plant, title to the crude oil transfers to TOTAL. The terms of the contract with TOTAL state that the price received for oil sold will be the arithmetic mean of all average daily quotations of Dated Brent published in Platt's Oil Market Wire for the month of production less a specified differential per barrel. The pricing of oil sales is done on the first day of the month following the month of production. In accordance with the terms of the contract, payment is made within six working days of the date of issue of the invoice. The contract with TOTAL is automatically extended for a period of one year unless either party cancels it in writing no later than six months prior to the beginning of the next year. We periodically review TOTAL's payment timing to ensure that receivables

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

from TOTAL for crude oil sales are collectible. In 2009, 2008 and 2007 sales to TOTAL represents approximately 98%, 99% and 99%, respectively, of the Company's total revenue and approximately 62% and 71% of the Company's accounts receivable at December 31, 2009 and 2008, respectively.

We recognize revenue for our remaining production when the quantities are delivered to or collected by the respective purchaser. Title to the produced quantities transfers to the purchaser at the time the purchaser collects or receives the quantities. Prices for such production are defined in sales contracts and are readily determinable based on certain publicly available indices. The purchasers of such production have historically made payment for crude oil and natural gas purchases within thirty and sixty days of the end of each production month, respectively. We periodically review the difference between the dates of production and the dates we collect payment for such production to ensure that receivables from those purchasers are collectible. Taxes associated with production are classified as lease operating expense.

STOCK-BASED COMPENSATION

We account for stock-based compensation in accordance with FASB ASC 718, "*Compensation — Stock Compensation*" ASC 718 establishes the accounting for transactions in which an entity pays for employee services in share-based payment transactions. ASC 718 requires companies to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The fair value of employee share options and similar instruments is estimated using option-pricing models adjusted for the unique characteristics of those instruments. That cost is recognized over the period during which an employee is required to provide service in exchange for the award.

FOREIGN CURRENCY TRANSLATION

The functional currency of the countries in which we operate is the U.S. dollar in the United States and the Euro in France. Gains and losses resulting from the translation of Euros into U.S. dollars are included in other comprehensive income for the current period. We periodically review the operations of our entities to ensure the functional currency of each entity is the currency of the primary economic environment in which we operate.

INCOME TAXES

We are subject to income taxes in the United States and France. The current provision for taxes on income consists primarily of income taxes based on the tax laws and rates of the countries in which operations were conducted during the periods presented. All interest and penalties related to income tax is charged to general and administrative expense. We compute our provision for deferred income taxes using the liability method. Under the liability method, deferred income tax assets and liabilities are determined based on differences between financial reporting and income tax basis of assets and liabilities and are measured using the enacted tax rates and laws. The measurement of deferred tax assets is adjusted by a valuation allowance, if necessary, to reduce the future tax benefits to the amount, based on available evidence it is more likely than not deferred tax assets will be realized. We made a commitment to be fully reinvested in our international subsidiaries.

Effective January 1, 2007, we adopted the provisions of FASB ASC 740, "*Income Taxes*" relating to financial statement recognition and disclosure requirements for uncertain tax positions taken or expected to be taken in a tax return. Financial statement recognition of the tax position will be sustained upon examination, based on the technical merits of the position. Any interest and penalties related to uncertain tax positions are recorded as interest expense and general and administrative expenses, respectively.

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

LEGAL FEES

We do not accrue for estimated legal fees or other related costs when accruing for loss contingencies, rather they are expensed as incurred.

DEFERRED DEBT ISSUE COST

Deferred debt issue costs are amortized on a straight line basis, which approximates the effective interest method over the term of the loan as a component of interest expense. Deferred debt issue costs, which are included in other assets, totaled approximately \$2 million and \$3.2 million net of accumulated amortization of \$766,000 million and \$608,000 as of December 31, 2009 and 2008, respectively.

TREASURY STOCK

At December 31, 2009 and 2008 we had 721,027 shares of treasury stock valued at a historical cost of approximately \$2.5 million or \$3.47 a share.

NEW ACCOUNTING PRONOUNCEMENTS

In December 2007, the Financial Accounting Standards Board (the "FASB") issued FASB Accounting Standards Codification (ASC) 805, "*Business Combinations*", formerly Statement No. 141R, "*Business Combinations*" ("SFAS No. 141R"). Under ASC 805, a company is required to recognize the assets acquired, liabilities assumed, contractual contingencies, and any contingent consideration measured at their fair value at the acquisition date. It further requires that research and development assets acquired in a business combination that have no alternative future use are to be measured at their acquisition-date fair value and then immediately charged to expense, and that acquisition-related costs are to be recognized separately from the acquisition and expensed as incurred. Among other changes, this statement also requires that "negative goodwill" be recognized in earnings as a gain attributable to the acquisition, and any deferred tax benefits resultant in a business combination be recognized in income from continuing operations in the period of the combination. ASC 805 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning after December 15, 2008. On January 1, 2009, the Company adopted ASC 805 and applies its provisions prospectively to business combinations that occur after adoption. The adoption did not have any immediate effect on the financial statements and related disclosures.

In December 2007, the FASB issued FASB Accounting Standards Codification (ASC) 810, "*Consolidations*", formerly Statement No. 160, "*Non-controlling Interests in Consolidated Financial Statements*" — an amendment of ARB No. 51 ("SFAS No. 160"). The Standard establishes accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a non-controlling interest in a subsidiary, which is sometimes referred to as minority interest, is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. Among other requirements, this statement requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the non-controlling interest. It also requires disclosure, on the face of the consolidated income statement, of the amounts of consolidated net income attributable to the parent and to the non-controlling interest. The Standard is effective for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2008. On January 1, 2009, the Company adopted ASC 810 and there was no effect on the financial statements and related disclosures.

In February 2008, the FASB issued FASB Accounting Standards Codification (ASC) 820, "*Fair Value Measurements and Disclosures*", formerly FSP No. 157-2 ("FASB No. 157-2") to defer the effective date to fiscal years beginning after November 15, 2008, and the interim periods within such fiscal years, for all

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

related nonfinancial assets and liabilities, including nonfinancial assets and liabilities measured at fair value in a business combination; impaired property, plant and equipment; goodwill; and initial recognition of asset retirement obligations. We adopted the deferred portion of the Standard effective January 1, 2009 and the adoption did not have a significant effect on the financial positions and results of operations. Refer to Note 14 of the financial statements for related disclosures.

In March 2008, the FASB issued FASB Accounting Standards Codification (ASC) 815, "*Derivatives and Hedging*", formerly Statement No. 161, "*Disclosures about Derivative Instruments and Hedging Activities*" — an Amendment of FASB Statement No. 133 ("SFAS No. 161"). This statement changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedged items are accounted for and (iii) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. The Standard is effective for annual periods beginning after November 15, 2008. On January 1, 2009, the Company adopted the Standard.

In May 2008, the FASB issued FASB Accounting Standards Codification (ASC) 470, "*Debt*", formerly FASB Staff Position ("FSP") No. APB 14-1, "*Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)*" ("FSP APB No. 14-1"). The Standard specifies that issuers of such instruments should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest costs is recognized in subsequent periods. The Standard is effective for financial statements issued for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years and should be applied retrospectively for all periods presented. On January 1, 2009, the Company adopted the Standard and there was no effect on our financial statements and related disclosures.

On December 31, 2008 the SEC issued the final rule, "*Modernization of Oil and Gas Reporting*" (the "Final Reporting Rule"). The Final Reporting Rule adopts revisions to the SEC's oil and gas reporting disclosure requirements and is effective for annual reports on Forms 10-K for years ending on or after December 31, 2009. The revisions are intended to provide investors with a more meaningful and comprehensive understanding of oil and gas reserves to help investors evaluate their investments in oil and gas companies. The amendments are also designed to modernize the oil and gas disclosure requirements to align them with current practices and changes in technology. Revised requirements in the Final Reporting Rule include, but are not limited to:

- Oil and gas reserves must be reported using the un-weighted arithmetic average of the first day of the month price for each month within a 12 month period, rather than year-end prices;
- Companies will be allowed to report, on an optional basis, probable and possible reserves;
- Non-traditional reserves, such as oil and gas extracted from coal and shales, will be included in the definition of "oil and gas producing activities;"
- Companies will be permitted to use new technologies to determine proved reserves, as long as those technologies have been demonstrated empirically to lead to reliable conclusions with respect to reserve volumes;
- Companies will be required to disclose, in narrative form, additional details on their proved undeveloped reserves ("PUDs"), including the total quantity of PUDs at year end, and any material changes to PUDs that occurred during the year, investments and progress made to convert PUDs to developed oil and gas reserves and an explanation of the reasons why material concentrations of PUDs in individual fields or countries have remained undeveloped for five years or more after disclosure as PUDs; and

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

- Companies will be required to report the qualifications and measures taken to assure the independence and objectivity of any business entity or employee primarily responsible for preparing or auditing reserves estimate.

We have complied with the disclosure requirements in our annual report on Form 10-K for the year ended December 31, 2009.

Application of the new reserves rules resulted in the use of lower prices at December 31, 2009 for crude oil than would have been used under the previous rules. Nonetheless, given the low decline and the maturity of the Neocomian Complex, which accounted for 93.31% of our proved reserves, once a certain threshold price is reached, use of a higher oil price does not have a significant effect on our reserves estimates. Because the prices used under the new reserves rules already exceed this threshold price, reserves under the new rules are identical to the reserves under the previous rules.

On April 9, 2009, the FASB issued FASB Accounting Standards Codification (ASC) 825, "*Financial Instruments*", formerly FASB Staff Position No. FAS 107-1 and APB 28-1, "*Interim Disclosures about Fair Value of Financial Instruments*" (FSP 107-1). The Standard requires disclosures about financial instruments, including fair value, carrying amount, and method and significant assumptions used to estimate the fair value. The Company adopted this standard as of June 30, 2009. Our adoption of this standard did not affect our financial position or results of operations.

In June 2009, the FASB issued Accounting Standards Update 2009-01, *Amendments based on SFAS No. 168 — The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles* to codify in ASC 105, *Generally Accepted Accounting Principles*, FASB Statement 168, *The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles*, which was issued to establish the Codification as the sole source of authoritative U.S. GAAP recognized by the FASB, excluding SEC guidance, to be applied by nongovernmental entities. The guidance in ASC 105 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. Applying the guidance in ASC 105 did not impact the Company's financial condition and results of operations. The Company has revised its references to pre-Codification GAAP in its financial statements.

In August 2009, the FASB issued ASU 2009-05, "*Fair Value Measurements and Disclosures (Topic 820) — Measuring Liabilities at Fair Value*" to provide guidance when estimating the fair value of a liability. When a quoted price in an active market for the identical liability is not available, fair value should be measured using:

- the quoted price of an identical liability when traded as an asset,
- quoted prices for similar liabilities or similar liabilities when traded as assets, or
- another valuation technique consistent with the principles of Topic 820 such as an income approach or a market approach.

If a restriction exists that prevents the transfer of the liability, a separate adjustment related to the restriction is not required when estimating fair value. The Standard is effective for the first reporting period (including interim periods) beginning after issuance. The Company adopted this standard as of December 31, 2009. Our adoption of this standard did not affect our financial position or results of operations.

On January 6, 2010, the FASB issued ASU 2010-03, which aligns the FASB's oil and gas reserve estimation and disclosure requirements with the requirements in the SEC's Final Rule.

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

We adopted the Final Rule and ASU 2010-03 effective December 31, 2009 as a change in accounting principle that is inseparable from a change in accounting estimate. Such a change is accounted for prospectively under the authoritative accounting guidance. Comparative disclosures applying the new rules for periods before the adoption of ASU 2010-03 and the Final Rule are not required.

Our adoption of ASU 2010-03 and the Final Rule on December 31, 2009 impacted our financial statements and other disclosures in our annual report on Form 10-K for the year ended December 31, 2009, as follows:

- All oil and gas reserves volumes presented as of and for the year ended December 31, 2009 were prepared using the updated reserves rules and are not on a basis comparable with prior periods. This change in comparability occurred because we estimated our proved reserves at December 31, 2009 using the updated reserves rules, which require use of the unweighted average first-day-of-the-month commodity prices for the prior twelve months, adjusted for market differentials, and permits the use of reliable technologies to support reserve estimates. Under the previous reserve estimation rules, which are no longer in effect, our net proved oil and gas reserves would have been calculated using end of period oil and gas prices. In addition, the new rules permit us to disclose probable and possible reserves (and we have so disclosed probable and possible reserves), which was not permitted under previous rules. Adoption of ASU 2010-03 and the Final Rule did not have any significant effect on our reserves estimate, however, standardized measure of discounted future net cash flows related to proved reserves decreased by approximately \$23 million due to use of unweighted twelve month average price compare to year end price.

NOTE 3 — EARNINGS PER SHARE

In accordance with the provisions of FASB ASC 260, "*Earnings per Share*", basic earnings per share are computed on the basis of the weighted-average number of common shares outstanding during the

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

periods. Diluted earnings per share are computed based upon the weighted-average number of common shares plus the assumed issuance of common shares for all potentially dilutive securities.

	<u>Year ended December 31,</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
	(in thousands, except per share data)		
Basic loss per share:			
Numerator			
Loss from continuing operations, net of income tax	\$ (15,332)	\$ (7,020)	\$ (4,548)
Less: dividends on preferred shares	—	—	162
Loss from continuing operations, net of tax	(15,332)	(7,020)	(4,710)
Loss from discontinued operations, net of tax	(10,080)	(101,585)	(69,873)
Loss available to common shares	<u>\$ (25,412)</u>	<u>\$ (108,605)</u>	<u>\$ (74,583)</u>
Denominator			
Common shares outstanding	20,564	19,831	18,358
Basic loss available to common shares per share from:			
Continuing operations	\$ (0.75)	\$ (0.35)	\$ (0.26)
Discontinued operations	(0.49)	(5.13)	(3.81)
Basic loss per share	<u>\$ (1.24)</u>	<u>\$ (5.48)</u>	<u>\$ (4.07)</u>
Diluted loss per share:			
Numerator			
Loss from continuing operations, net of income tax	\$ (15,332)	\$ (7,020)	\$ (4,548)
Less: dividends on preferred shares	—	—	162
Loss from continuing operations, net of tax	(15,332)	(7,020)	(4,710)
Loss from discontinued operations, net of tax	(10,080)	(101,585)	(69,873)
	<u>\$ (25,412)</u>	<u>\$ (108,605)</u>	<u>\$ (74,583)</u>
Denominator			
Common shares outstanding	20,564	19,831	18,358
Stock options, restricted stock and warrants	—(1)	—(1)	—(1)
Conversion of preferred shares	—(2)	—(2)	—(2)
Conversion of 5.0% notes payable	—(3)	—(3)	—(3)
Diluted shares outstanding	<u>20,564</u>	<u>19,831</u>	<u>18,358</u>
Diluted loss available to common shares per share from:			
Continuing operations	\$ (0.75)	\$ (0.35)	\$ (0.26)
Discontinued operations	(0.49)	(5.13)	(3.81)
Diluted loss per share	<u>\$ (1.24)</u>	<u>\$ (5.48)</u>	<u>\$ (4.07)</u>
Anti-dilutive securities not included above are as follows:			
Stock options, restricted stock and warrants	37	25	148
Preferred shares	—	—	450
5% notes payable	1,376	1,966	2,015

- (1) Conversion of these securities would be antidilutive; therefore, there are no dilutive shares.
- (2) Conversion of these securities would be antidilutive; therefore there are no dilutive shares. These securities were converted on or prior to December 31, 2007.
- (3) Conversion of the 5% Senior Convertible Notes would be antidilutive therefore, there are no dilutive shares.

On February 12, 2010, the Company completed a registered underwritten public offering of 3,450,000 shares of common stock. Refer to Note 17, for subsequent events information.

TOREADOR RESOURCES CORPORATION**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)****NOTE 4 — ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following:

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
	(in thousands)	
Accrued oil sales receivables	\$ 2,072	\$ 752
Recoverable VAT	778	—
Other accounts receivable	276	306
	<u>\$ 3,126</u>	<u>\$ 1,058</u>

Accrued oil sales receivables are due from purchasers of oil production from our French wells for which the Company owns an interest. Oil sales are generally unsecured and such amounts are generally due within 30 days after the month of sale.

Other receivables and VAT at December 31, 2009 and 2008 consist of accrued interest receivable on time deposits, value added tax refunds and travel advances to employees.

NOTE 5 — OIL AND NATURAL GAS PROPERTIES

Oil and Natural Gas Properties consist of the following:

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
	(in thousands)	
Licenses and concessions	\$ 205	\$ 198
Producing leaseholds and intangible drilling costs	115,112	108,130
Furniture, fixtures and office equipment	1,118	2,200
	<u>116,435</u>	<u>110,528</u>
Accumulated depreciation, depletion and amortization	(41,814)	(37,775)
Total oil and natural gas properties	<u>\$ 74,621</u>	<u>\$ 72,753</u>

The Company capitalizes exploratory well costs until a determination is made that the well has found proved reserves or is deemed noncommercial, in the latter case the well costs are immediately charged to exploration expense.

	<u>December 31</u>	
	<u>2009</u>	<u>2008</u>
	(in thousands)	
Capitalized exploratory well cost, beginning of the year	\$ —	\$ 17,109
Additions to capitalized exploratory costs pending		
determination of proved reserves	2,887	377
Reclassified to assets held for sale	—	(15,045)
Impairments	—	(2,441)
Capitalized exploratory well costs, end of year	<u>\$ 2,887</u>	<u>\$ —</u>

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table provides an aging of capitalized exploratory well costs (suspended well costs), as of December 31, of each year, based on the date the drilling was completed:

	December 31	
	2009	2008
	(in thousands)	
Capitalized exploratory well cost that have been capitalized for a period of one year or less	\$ 2,887	\$ —
Capitalized exploratory well costs that have been capitalized for a period greater than one year	—	—
Balance at end of year	<u>\$ 2,887</u>	<u>\$ —</u>

NOTE 6 — INVESTMENTS IN UNCONSOLIDATED ENTITIES

In February 2004, we acquired 45% of ePsolutions. Based in Austin, Texas, ePsolutions is a software and energy services company in the electric industry and deregulated energy markets. ePsolutions is the developer of emPower system, a CIS, EDI and billing solution for energy companies within deregulated energy markets. We recorded equity in the earnings of ePsolutions of a gain of \$41,000 in 2007 and a loss of \$70,000 in 2006. In April 2007, we sold our interest in ePsolutions to ePsolutions for \$3.9 million and recorded a gain on the sale of \$2.3 million.

In July 2000, we acquired 35% of EnergyNet.com, Inc. ("EnergyNet"), an Internet based oil and natural gas property auction company. We recorded equity in the earnings of EnergyNet of a loss of \$45,000 in 2007 and a gain of \$340,000 in 2006. We received a dividend from EnergyNet of \$175,000 in 2006. In April 2007, we sold our interest in EnergyNet.com to EnergyNet.com for \$2 million and recorded a gain on the sale of \$1.1 million.

In April 2000, we acquired a 50% interest in Capstone Royalty, LLC ("Capstone"), a joint venture formed to acquire mineral interests at county auctions in west Texas and develop those interests. We recorded equity in the earnings of Capstone amounting to \$26,000 in 2007 and \$131,000 in 2006. We received a distribution from Capstone of \$60,000 in 2007 and \$75,000 in 2006. In April 2007, we sold our interest in Capstone Royalty, LLC to Capstone Royalty, LLC for \$250,000 and recorded a gain on the sale of \$124,000.

NOTE 7 — LONG-TERM DEBT

Long-term debt consisted of the following:

	December 31,	
	2009	2008
	(in thousands)	
Secured revolving facility with the International Finance Corporation	\$ —	\$ 30,000
5.00% convertible senior notes	54,616	80,275
	<u>54,616</u>	<u>110,275</u>
Less: current portion	(32,385)	(30,000)
	<u>\$ 22,231</u>	<u>\$ 80,275</u>

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

5.00% CONVERTIBLE SENIOR NOTES DUE OCTOBER 1, 2025

On September 27, 2005, we issued \$75 million of 5.00% Convertible Senior Notes due October 1, 2025 ("Notes") to qualified institutional buyers pursuant to Rule 144A of the Securities Act of 1933. The Company also granted the initial purchasers the option to purchase an additional \$11.25 million aggregate principal amount of Notes to cover over-allotments. The option was exercised on September 30, 2005. The total principal amount of Notes issued was \$86.25 million and total net proceeds were approximately \$82.2 million. We incurred approximately \$4.1 million of costs associated with the issuance of the Notes; these costs have been recorded in other assets on the balance sheet and are being amortized to interest expense using the straight-line interest rate method over the term of the Notes.

The net proceeds were used for general corporate purposes, including funding a portion of the Company's 2005 and 2006 exploration and development activities.

The Notes bear interest at a rate of 5% per annum and can be converted into common stock at an initial conversion rate of 23.3596 shares of common stock per \$1,000 principal amount of Notes, subject to adjustment in an event of a fundamental change, as defined, (equivalent to a conversion price of approximately \$42.81 per share). The Company may redeem the Notes, in whole or in part, on or after October 6, 2008, and prior to October 1, 2010, for cash at a redemption price equal to 100% of the principal amount of Notes to be redeemed, plus any accrued and unpaid interest, if the closing price of its common stock exceeds 130% of the conversion price over a specified period. On or after October 1, 2010, the Company may redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of Notes to be redeemed, plus any accrued and unpaid interest, irrespective of the price of our common stock. Holders may convert their Notes at any time prior to the close of business on the business day immediately preceding their stated maturity, and holders may, (i) upon the occurrence of certain fundamental changes, and also (ii) on October 1, 2010, October 1, 2015, and October 1, 2020, require the Company to repurchase all or a portion of their Notes for cash in an amount equal to 100% of the principal amount of such Notes, plus any accrued and unpaid interest. At December 31, 2009, the outstanding principal amount of the Notes was \$54.6 million.

The registration rights agreement covering the Notes provided for a penalty if the registration statement was filed and declared effective but thereafter ceased to be effective (a "Suspension Period") for an aggregate of forty-five (45) days in any three month period or ninety (90) days in any twelve month period (an "Event Date"). Such penalty called for an additional 0.25% per annum in interest expense on the aggregate principal amount of the Notes for the first ninety (90) days following an Event Date and an additional 0.50% per annum in interest expense on the aggregate principal amount of the Notes thereafter, until such Suspension Period ended upon the registration statement again becoming effective or not being required to be effective pursuant to the registration rights agreement. Because we did not file our Quarterly Report on Form 10-Q for the nine month period ended September 30, 2006 in a timely manner, the registration statement for the Notes became ineffective and we entered a Suspension Period on November 15, 2006. Such Suspension Period ended on January 23, 2007 when we provided notice that the Form 10-Q had been filed and the Suspension Period was no longer in effect. Because the Suspension Period exceeded forty-five (45) days in any three month period, we paid approximately \$14,375 in additional interest expense. On March 16, 2007, the date we filed our Form 10-K for the year ended December 31, 2006, we again entered a Suspension Period until all the Notes became eligible for sale pursuant to Rule 144(k) on September 30, 2007. On October 1, 2007, \$155,000 was deposited with the trustee for the Notes as the penalty for any holders of the Notes who were eligible on October 1, 2007 to receive a pro rata portion of such payment. Such eligible holders had to have registered their Notes on the registration statement and still held those Notes on October 1, 2007. On April 1, 2008, we requested that the trustee return \$150,957 which represents the unclaimed portion of the penalty and on April 3, 2008 we

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

received the funds from the trustee. In 2008 we paid \$4,043 of the penalty deposit to eligible holders of Notes.

During 2008 the Company repurchased \$6 million, face value, of the Notes on the open market for \$5.3 million. This resulted in a gain on the early extinguishment of debt totaling \$458,000. In 2009 the Company repurchased \$25.7 million face value of the Notes on the open market for \$21.3 million, resulting in a gain on the early extinguishment of debt of \$3.4 million after writing off deferred loan costs of approximately \$1 million.

On February 1, 2010, Toreador consummated an exchange transaction, or the Convertible Notes Exchange. In the Convertible Notes Exchange, in exchange for (a) \$22,231,000 principal amount of our outstanding 5.00% Convertible Senior Notes due 2025, or the Old Notes, and (b) \$9.4 million cash, we issued \$31,631,000 aggregate principal amount of our 8.00%/7.00% Convertible Senior Notes due 2025, or the New Convertible Senior Notes, and paid accrued and unpaid interest on the Old Notes.

The New Convertible Senior Notes may be redeemed in whole or in part at the Company's option prior to October 1, 2013, in cash at a redemption price equal to one hundred percent (100%) of the principal amount of the New Convertible Senior Notes redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date plus a make-whole payment, if the closing sale price of the Company's common stock has exceeded 200% of the conversion price then in effect for at least twenty (20) trading days in any consecutive thirty (30)-trading day period ending on the trading day prior to the date of mailing of the relevant notice of redemption. The New Convertible Senior Notes may be redeemed in whole or in part at the Company's option on or after October 1, 2013 for cash at a redemption price equal to 100% of the principal amount of the New Convertible Senior Notes redeemed, plus any accrued and unpaid interest to, but excluding, the redemption date. In addition, upon the occurrence of certain fundamental changes, and on each of October 1, 2013, October 1, 2015 and October 1, 2020, a holder may require the Company to repurchase all or a portion of the New Convertible Senior Notes in cash for 100% of the principal amount of the New Convertible Senior Notes to be purchased, plus any accrued and unpaid interest to, but excluding, the purchase date. See Note 17 (Subsequent Events) of Notes to the Consolidated Financial Statements.

SECURED REVOLVING FACILITY WITH THE INTERNATIONAL FINANCE CORPORATION

On December 28, 2006, we guaranteed the obligations of certain of our direct and indirect subsidiaries in a loan and guarantee agreement with the International Finance Corporation. The loan and guarantee agreement provides for the \$25 million loan facility which is a secured revolving facility with a maximum facility amount of \$25 million which maximum facility amount would have increase to \$40 million when the projected total borrowing base amount exceeded \$50 million. The \$25 million facility was funded on March 2, 2007. The total proceeds received on March 2, 2007 were approximately \$25 million, of which \$11 million was used to retire the outstanding balance on the \$15 million credit facility with Natixis Banques Populaires and the remaining \$14 million of funds was used to finance our capital expenditures in Turkey and Romania. The loan and guarantee agreement also provided for a \$10 million facility which was funded on December 28, 2006. In September 2007, we repaid \$5 million on the \$25 million facility from proceeds received on the U.S. oil and gas property sale. As of December 31, 2007, the International Finance Corporation reduced our borrowing base under both loans to \$30 million from \$35 million. Both the \$25 million facility and \$10 million facility were to fund our operations in Turkey and Romania.

Interest accrued on any loans under the \$25 million facility at a rate of 2% over the six month LIBOR rate. Interest accrued on the \$10 million facility at a rate of 1.5% over the six month LIBOR rate until the \$25 million facility was funded after which the rate for the \$10 million facility was lowered to 0.5% over the six month LIBOR rate. At December 31, 2008, the interest rate on the \$10 million facility was 2.823% and

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

the interest rate on the \$25 million facility was 4.323%. Interest was to be paid on each June 15 and December 15.

The \$25 million facility was secured as follows: (i) the lender has a first ranking security interest in (a) certain proceeds, receivables and contract rights relating to and from the sale of oil or gas production in France, Turkey and Romania and (b) funds held in certain bank accounts; (ii) the lender had an assignment of all rights and claims to any compensation or other special payments in respect of all concessions other than those arising in the normal course of operations payable by the government of Turkey and Romania; and (iii) the lender has a first ranking pledge (a) by Toreador International Holding, LLC of all its shares in the borrowers; (b) by Madison Oil France SAS of all its shares in Toreador France; and (c) by the Company of all its shares in Toreador International Holding, LLC.

On December 31, 2011, the maximum amount available under the \$25 million facility would have begun to decrease by \$5 million every six months from \$40 million (assuming the projected borrowing base amount exceeds \$50 million) until the final portion of the \$25 million facility would have been due on December 15, 2014. On December 15, 2014, \$5 million of the \$10 million facility would have been required to be repaid with the remaining \$5 million being due on June 15, 2015.

We were required to meet the following ratios on a consolidated basis: (i) the life of loan coverage ratio of not less than: (a) 1.2:1.0 in 2006 and 2007; (b) 1.3:1.0 in 2008; and (c) 1.4:1.0 in 2009 and each subsequent year thereafter; (ii) reserve tail ratio of not less than 25%; (iii) adjusted financial debt to EBITDAX (earnings before interest, taxes, depreciation and amortization and exploration expenses) ratio of not more than 3.0:1.0; (iv) liabilities to tangible net worth ratio of not more than 60:40; and (v) interest coverage ratio of not less than 3.0:1.0. On August 9, 2007, the ratios were amended to replace the adjusted financial debt to EBITDA ratio not being more than 3.0:1.0 with the adjusted financial debt to EBITDAX ratio not being more than 3.0:1.0 and the definition of interest coverage ratio was adjusted to substitute EBITDAX instead of EBITDA for calculation purposes. At December 31, 2007, we were not in compliance with the interest coverage ratio of not less than 3.0:1.0; the actual ratio was 2.8:1.0. The International Finance Corporation granted the Company a temporary waiver for the interest coverage ratio provided the Company maintained EBITDAX to net interest expense ratio of 2.7:1.0 until July 2, 2008 and EBITDA to net interest expense ratio of at least 2.7:1.0 during the remaining period of the waiver's effectiveness. The waiver was effective until March 8, 2009.

At March 31, 2008, we were not in compliance with the adjusted financial debt to EBITDAX ratio threshold of not more than 3.0:1.0; the actual ratio was 4.5:1.00. The International Finance Corporation granted the Company a temporary waiver on the condition that the Company maintains the adjusted financial debt to EBITDA ratio for the (i) quarter ending March 31, 2008 of 4.5:1.0; (ii) quarter ending June 30, 2008 of 4.0:1.0; (iii) quarter ending September 30, 2008 of 3.5:1.0, and (iv) quarter ending December 31, 2008 of 3.25:1.0. We must also be compliant with the original requirement of adjusted financial debt to EBITDA of not more than 3.0:1.0 starting from the end of the first quarter ending March 31, 2009. The waiver is effective until April 1, 2009.

At December 31, 2008, we were not in compliance with the liabilities to tangible net worth ratio, however we did not request a waiver from the IFC as the facility was subsequently retired on March 3, 2009 as explained below.

We were subject to certain negative covenants, including, but not limited to, the following: (i) subject to certain exceptions, paying dividends; (ii) subject to certain exceptions, incurring debt, making guarantees or creating or permitting to exist any liens, (iii) subject to certain exceptions, making or permitting to exist loans or advances to, or deposits, with other persons or investments in any person or enterprise; (iv) subject to certain exceptions, selling, transferring, leasing or otherwise disposing of all or a

TOREADOR RESOURCES CORPORATION**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

material part of our borrowing base assets; and (v) subject to certain exceptions, undertaking or permitting any merger, spin-off, consolidation or reorganization.

Included in interest expense for the year ended December 31, 2008, is \$701,625 of additional compensation due to the IFC related to the prior year. This amount should have been recognized as additional interest expense in the prior year. Management does not believe the error had a material effect on the financial results for the year ended December 31, 2007 or that the correction of the error in the current period will have a material effect on the financial results for the year ended December 31, 2008. Also included in interest expense for the year ended December 31, 2008 is an estimate of \$2.1 million to be paid in 2009 relating to 2008 operations.

On March 3, 2009, we repaid the Secured Revolving Credit Facility with the International Finance Corporation with the proceeds from our sale of 26.75% of our 36.75% interest in the Black Sea Project. The total amount of the payment was \$36.4 million, which was comprised of \$30 million principal, \$5.9 million additional compensation, as defined in the Loan and Guarantee Agreement among Toreador Resources Corporation and the International Finance Corporation dated December 28, 2006, due under the \$10 million facility and \$500,000 for accrued interest and fees. As a result of the early extinguishment, we recorded a loss of \$4.9 million which was recorded in discontinued operations for the year ended December 31, 2009.

The following table summarizes the principal maturities under our long-term debt arrangements at December 31, 2009, (in thousands):

	2010	2011	2012	2013	2014	Thereafter	Total
Long-term debt	\$ 32,385	\$ —	\$ —	\$ 22,231		\$ —	\$ 54,616

NOTE 8 — CAPITAL

On March 23, 2007, we closed a \$45 million private placement of equity. In the transaction, we issued an aggregate of 2,710,843 shares of common stock to six institutional investors, providing us with \$45 million of gross proceeds at closing. We also granted the investors the right to purchase an additional \$8.1 million aggregate amount of common stock within the next 30-day period. On April 24, 2007, two of the institutional investors exercised their warrants for an aggregate of 326,104 additional shares of common stock, providing us with approximately \$5.4 million of gross proceeds. The net proceeds from the private placement totaled approximately \$47 million and were used to help fund our 2007 exploration and development activities.

In connection with the private placement, we entered into a registration rights agreement with the investors. The registration rights agreement provided that we would file a registration statement with the Securities and Exchange Commission covering the resale of the common stock within 60 days after the closing date. If the registration statement was not filed with the Securities and Exchange Commission within such time, we had to pay 1.0% of the aggregate purchase price, an additional 1.0% on the one month anniversary of the 60th day after closing if the registration statement had not been filed by such date and an additional 2.0% of the aggregate purchase price for each 30 day period after the one month anniversary if the registration statement was not filed by such date. We filed the registration statement with the Securities and Exchange Commission on May 8, 2007. If the registration statement was not declared effective by the Securities and Exchange Commission within 150 days after the closing date, we had to pay 1.0% of the aggregate purchase price, an additional 1.0% on the one month anniversary of the 150th day after the closing if the registration statement had not been declared effective by the Securities and Exchange Commission by such date and an additional 2.0% of the aggregate purchase price for each

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

30 day period after the one month anniversary if the registration statement was not declared effective by such date. The registration statement was declared effective July 26, 2007. Now that the registration statement has been declared effective by the Securities and Exchange Commission, if, subject to certain exceptions, future sales cannot be made pursuant to the registration statement after 60 days has elapsed, we must pay 1.0% of the aggregate purchase price on the date sales cannot be made pursuant to the registration statement, an additional 1% on the one month anniversary of the date sales are not permitted under the registration statement if sales are not permitted under the registration statement by such date and an additional 2.0% of the aggregate purchase price for each 30 day period after the one month anniversary if sales under the registration statement are not permitted by such date. Any one month or 30 day periods during which we cure the violation will cause the payment for such period to be made on a pro rata basis. As a result of the change in the resale restrictions under Rule 144, effective February 15, 2008, we amended the registration rights agreement to provide that we do not have to keep the registration statement effective if the holders of the shares covered by the registration rights agreement can sell all of the shares pursuant to Rule 144.

We account for registration rights agreements containing a contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement. Under this approach, the contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement shall be recognized and measured separately in accordance with FASB ASC 450 "Contingencies".

Toreador had zero shares of nonvoting Series A-1 Convertible Preferred Stock outstanding at December 31, 2009, 2008 and 2007. At the option of the holder, the Series A-1 Convertible Preferred Stock were convertible into common shares at a price of \$4.00 per common share (conversion would amount to 450,000 Toreador common shares at December 31, 2007). The Series A-1 Convertible Preferred Stock accrues dividends at an annual rate of \$2.25 per share payable quarterly in cash. At any time on or after November 1, 2007, we could elect to redeem for cash any or all shares of Series A-1 Convertible Preferred Stock. The optional redemption price per share was the sum of (1) \$25.00 per share of the Series A-1 Convertible Preferred Stock plus (2) any accrued unpaid dividends, and such sum was multiplied by a declining multiplier. The multiplier was 105% until October 31, 2008, 104% until October 31, 2009, 103% until October 31, 2010, 102% until October 31, 2011, 101% until October 31, 2012, and 100% thereafter. In December 2007, all the Series A-1 Convertible Preferred Stock was converted into common shares.

On July 22, 2004, we issued warrants for the purchase of 40,000 shares of our common stock at \$8.20 per share. The warrant was issued pursuant to the terms of the letter agreement dated July 19, 2004. At December 31, 2009 there were zero warrants outstanding due to their expiration on July 22, 2009.

On July 11, 2005, we issued warrants for the purchase of 50,000 shares of our common stock at \$27.40 per share. The warrants were issued pursuant to the terms of the Fee Letter, dated February 21, 2005, between the Company, Natexis Banques Populaires and Madison Energy France. At December 31, 2009 there were zero outstanding due to their expiration on December 23, 2009.

On January 3, 2006, we issued warrants for the purchase of 10,000 shares of our common stock at \$27.65 per share. The warrant was issued pursuant to the terms of the Engagement Letter, dated January 3, 2006, between the Company and ParCon Consulting. At December 31, 2009 all 10,000 warrants were outstanding and expire on January 3, 2011.

For the twelve months ended December 31, 2009, the Company issued 1,289,387 shares of stock to employees and directors, of which 939,597 shares were immediately vested in accordance with the terms of the grants and 31,000 stock options, were exercised under the terms of the option agreements. Forfeitures for the twelve months ended December 31, 2009 were 168,292 shares of restricted stock and 150,000 stock options.

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE 9 — INCOME TAXES

The Company's provision (benefit) for income taxes consists of the following at December 31:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	(in thousands)		
Current:			
U.S. Federal	\$ (388)	\$ (5)	\$ (31)
U.S. State	0	(115)	323
Foreign	(1,030)	7,526	2,409
Deferred:			
U.S. Federal	(19)	(443)	(32)
Foreign	987	(887)	(3,393)
	<u>\$ (450)</u>	<u>\$ 6,076</u>	<u>\$ (724)</u>

The tax provision (benefit) has been allocated between continuing operations and discontinued operations as follows:

Provision (benefit) allocated to:

Continuing operations	\$ (450)	\$ 5,502	\$ (1,402)
Discontinued operations	—	574	678
	<u>\$ (450)</u>	<u>\$ 6,076</u>	<u>\$ (724)</u>

The primary reasons for the difference between tax expense at the statutory federal income tax rate and our provision for income taxes were:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	(in thousands)		
Statutory tax at 34%	\$ (8,675)	\$ (34,860)	\$ (25,549)
Rate differences related to foreign operations	150	13,706	6,479
Utilization of foreign net operating loss	(286)	—	—
State income tax, net	—	(76)	213
Foreign currency gain (loss) not taxable in foreign jurisdictions	(1,978)	498	4,497
Release of FIN 48 liability	(314)	—	—
Adjustments to valuation allowance	11,133	26,440	14,172
Other	(480)	368	(536)
	<u>\$ (450)</u>	<u>\$ 6,076</u>	<u>\$ (724)</u>

TOREADOR RESOURCES CORPORATION**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31, 2009 and 2008 were as follows:

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
	(in thousands)	
Deferred tax assets:		
Net operating loss carryforward — United States	\$ 31,029	\$ 15,005
Net operating loss carryforward — State	0	135
Net operating loss carryforward — Foreign	—	9,617
Restricted stock	370	565
Impairment — Foreign	—	16,468
Impairment — US	—	5,453
Other	114	690
Gross deferred tax assets	<u>31,513</u>	<u>47,933</u>
Valuation allowance	(31,513)	(46,984)
Net deferred tax assets	<u>\$ 0</u>	<u>\$ 949</u>
Deferred tax liabilities:		
Differences in oil and gas property capitalization and depletion methods — Foreign	(15,358)	(13,851)
Other	0	(949)
Gross deferred tax liabilities	<u>(15,358)</u>	<u>(14,800)</u>
Net deferred tax liabilities	<u>\$ (15,358)</u>	<u>\$ (13,851)</u>

At December 31, 2009, Toreador had the following carryforwards available to reduce future taxable income (in thousands):

<u>Jurisdiction</u>	<u>Expiry</u>	<u>Amount</u>
United States	2010 — 2023	\$ 91,262

TOREADOR RESOURCES CORPORATION**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Realization of net operating loss carryforwards depends on our ability to generate taxable income within the carryforward period. Due to uncertainty related to the Company's ability to generate taxable income in the respective countries sufficient to realize all of our deferred tax assets we have recorded the following valuation allowances:

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
	(in thousands)	
United States	\$ 31,029	\$ 15,005
Turkey	—	2,591
Hungary	—	6,185
France		841
	<u>\$ 31,029</u>	<u>\$ 24,622</u>

Future net operating loss carryforwards for which a valuation allowance has been provided will be realized when taxable income amounts below are generated in the following countries:

	<u>Required Taxable Income</u>
United States	\$ 91,262

Under FASB ASC 740, "Income Taxes", we have elected to treat our foreign earnings as permanently reinvested outside the US and are not providing US tax expense on those earnings. However, Romania and Turkey both have US branches which are not permanently reinvested outside the US. Consequently the US tax on their earnings is reflected in consolidated income tax expense at the US tax rate of 34%.

We adopted provisions of FASB ASC 740, "Income Taxes" relating to uncertain tax positions, on January 1, 2007. As a result of the adoption the Company recognized an increase in the liability for unrecognized tax benefits of approximately \$45,000, which was accounted for as a decrease to the January 1, 2007 balance of retained earnings. As of the date of adoption and after the impact of recognizing the increase in liability noted above, our unrecognized tax benefits totaled approximately \$357,000, the disallowance of which would not materially affect the effective income tax rate.

We recognize potential accrued interest and penalties related to unrecognized tax benefits within our global operations in income tax expense. In conjunction with the adoption of provisions relating to uncertain tax provisions, we recognized approximately \$28,000 for the accrual of interest and penalties at January 1, 2007 which is included as a component of \$357,000 unrecognized tax benefit noted above. During the year 2009 we recognized \$0 in potential interest and penalties associated with uncertain tax positions. To the extent interest and penalties are not assessed with respect to uncertain tax positions, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision.

The following table summarizes the changes in our liability for unrecognized tax benefits for the year ended December 31, 2009:

Unrecognized tax benefit at January 1, 2009	\$ 321
Tax Year Closed	(314)
Unrecognized tax benefit at December 31, 2009	<u>\$ 7</u>

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

We have not paid any significant interest or penalties associated with our income taxes, but classify both interest expense and penalties as part of our income tax expense.

The Company files several state and foreign tax returns, many of which remain open for examination for five years.

For the years ended December 31, 2009 and 2008 we recognized a current tax benefit related to restricted stock grants of approximately \$0 and \$0 and a deferred tax liability and a deferred tax benefit of approximately \$21,000 and \$443,000, respectively.

NOTE 10 — BENEFIT PLANS

In 2009 we terminated our 401(k) retirement savings plan due to the Company closing the Dallas, Texas office and relocating to Paris France. Employees were eligible to defer portions of their salaries, limited by Internal Revenue Service regulations. The Company is subject to the 3% safe harbor rule and contributed \$37,701 in 2009, \$95,000 in 2008 and \$115,000 in 2007. Discretionary employer matches are determined annually by the board of directors and such discretionary matches amounted to \$0 in 2009, \$0 in 2008 and \$112,500 in 2007.

NOTE 11 — STOCK COMPENSATION PLANS

We have granted stock options to key employees and outside directors of Toreador as described below.

In May 1990, we adopted the 1990 Stock Option Plan ("1990 Plan"). The 1990 Plan, as amended and restated, provides for grants of up to 1,000,000 stock options to employees and directors at exercise prices greater than or equal to market on the date of the grant.

In December 2001, we adopted the 2002 Stock Option Plan ("2002 Plan"). The 2002 Plan provides for grants of up to 500,000 stock options to employees and outside directors at exercise prices greater than or equal to market on the date of the grant.

In September 1994, we adopted the 1994 Non-employee Director Stock Option Plan ("1994 Plan"). The 1994 Plan, as amended and restated, provides for grants of up to 500,000 stock options to non-employee directors of Toreador at exercise prices greater than or equal to market on the date of the grant.

The Board of Directors grants options under our plans periodically. Generally, option grants are exercisable in equal increments over a three-year period, and have a maximum term of 10 years.

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

A summary of stock option transactions is as follows:

	2009		2008		2007	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at January 1	248,370	\$ 6.77	338,170	\$ 4.85	673,870	\$ 5.13
Granted	—	—	100,000	7.88	—	—
Exercised	(31,000)	3.67	(189,800)	3.93	(320,700)	5.06
Forfeited	(150,000)	6.96	—	—	(15,000)	13.18
Outstanding at December	<u>67,370</u>	<u>7.78</u>	<u>248,370</u>	<u>6.77</u>	<u>338,170</u>	<u>4.85</u>
Exercisable at December	<u>67,370</u>	<u>7.78</u>	<u>148,370</u>	<u>6.02</u>	<u>334,837</u>	<u>4.73</u>

The intrinsic value of the options exercised in 2009 was zero. For the year ended December 31, 2009, 2008 and 2007 we received cash from stock option exercises of \$113,875, \$745,000 and \$1.6 million, respectively. As of December 31, 2009, all outstanding options were 100% vested. As of December 31, 2009, the total compensation cost related to non-vested stock options not yet recognized was zero.

The following table summarizes information about the fixed price stock options outstanding at December 31, 2009:

Exercise Price	Number Outstanding		Number Exercisable		Weighted Average Remaining Contractual Life in Years
	Shares	Intrinsic Value	Shares	Intrinsic Value	
		(in thousands)		(in thousands)	
3.10	5,000	\$ 34	5,000	\$ 34	3.47
3.12	4,420	30	4,420	30	0.72
5.50	40,450	178	40,450	178	4.32
13.75	7,500	(29)	7,500	(29)	4.88
16.90	10,000	(70)	10,000	(70)	5.38
	<u>67,370</u>	<u>\$ 143</u>	<u>67,370</u>	<u>\$ 143</u>	<u>3.75</u>

At December 31, 2009, there were 20,208 remaining shares available for grant under the plans collectively.

In May 2005, stockholders approved the Toreador Resources Corporation 2005 Long-Term Incentive Plan (the "Plan"). The Plan, as amended, authorizes the issuance of up to 1,750,000 shares of the Company's common stock to key employees, key consultants and outside directors of the Company. In 2009 the Board of Directors authorized a total of 1,289,387 shares of restricted stock be granted to employees and non-employee directors. The compensation cost is measured by the difference between the quoted market price of the stock at the date of grant and the price, if any, to be paid by an employee and is recognized as an expense over the period the recipient performs related services. The restricted stock grants vest immediately or up to a four-year period depending on the grant and the weighted average price of the stock on the date of the grants was \$5.46 for the year ended December 31, 2009. Stock compensation expense of \$4.7 million and \$2.3 million is included in the Statement of Operations for the years ended

TOREADOR RESOURCES CORPORATION**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

December 31, 2009 and 2008, which represents the cost recognized from the date of the grants through December 31, 2009 and 2008. During 2009, 1,021,189 shares vested having a fair value of approximately \$5.1 million on the date of vesting. As of December 31, 2009, the total compensation cost related to non-vested restricted stock grants not yet recognized is approximately \$3.2 million. This amount will be recognized as compensation expense over the next 36 months.

At December 31, 2009, there were 106,171 remaining shares available for grant under the Plan.

For the years ended December 31, 2009 and 2008 we recognized a current tax benefit related to restricted stock grants of approximately \$0 and \$0, respectively, and a deferred tax liability and a deferred tax benefit of approximately \$21,000 and \$443,000, respectively.

The following table summarizes the changes in outstanding restricted stock grants along with their related grant-date fair values for the year ended December 31, 2009:

	Shares	Weighted Average Grant-Date Fair Value
Non-vested at January 1, 2009	278,224	\$ 11.63
Shares granted	1,289,387	5.46
Shares vested	(1,021,189)	6.27
Shares forfeited	(168,292)	7.33
Non-vested at December 31, 2009	<u>378,130</u>	<u>\$ 10.25</u>

NOTE 12 — COMMITMENTS AND CONTINGENCIES

We lease our office space under non-cancelable operating leases, expiring during 2010 through 2014. The following is a schedule of minimum future rentals under our non-cancelable operating leases as of December 31, 2009 (in thousands):

	Rent Expense	Sub-lease Income	Net Rental Expense
2010	\$ 565	\$ (208)	\$ 357
2011	571	(208)	363
2012	575	(156)	419
2013	576	—	576
2014	460	—	460
	<u>\$ 2,747</u>	<u>\$ (572)</u>	<u>\$ 2,175</u>

Net rent expense totaled \$442,144 in 2009, \$952,000 in 2008 and \$818,000 in 2007.

In 2005, two separate incidents occurred offshore Turkey in the Black Sea, which resulted in the sinking of two caissons (the "Fallen Structures") and the loss of three natural gas wells. The Company has not been requested to or ordered by any governmental or regulatory body to remove the caissons. Therefore, the Company believes that the likelihood of receiving such a request or order is remote and no liability has been recorded. In connection with the Company's sale of its 26.75% interest in the SASB to Petrol Ofisi in March 2009 and its sale of Toreador Turkey to Tiway in October 2009, the Company has agreed to indemnify Petrol Ofisi and Tiway, respectively, against and in respect of any claims, liabilities and

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

losses arising from the Fallen Structures. The Company has also indemnified a third party vendor for any claims made related to these incidents.

On October 16, 2003, we entered into an agreement, or the Netherby Agreement, with Phillip Hunnisett and Roy Barker, or Hunnisett and Barker, pursuant to which Hunnisett and Barker agreed to post the collateral required by the Turkish government for Madison Oil Turkey Inc. (a Liberian company later reincorporated in the Cayman Islands as Toreador Turkey Limited) to retain its 36.75% interest in relation to eight offshore exploration SASB licenses in exchange for a 1.5% gross overriding royalty interest, or the Overriding Royalty, on the net value to Madison Oil Turkey of all future production, if any, deriving from Madison's interest in such SASB licenses. Since March 2009, we have corresponded with Hunnisett and Barker regarding a dispute over the compensation payable by us to Hunnisett and Barker under the Netherby Agreement as a result of Toreador Turkey's sale of a 26.75% interest in the SASB licenses to Petrol Ofisi in March 2009, or the Netherby Payment Amount. Hunnisett and Barker have contended that the Netherby Payment Amount could be up to \$10.4 million; however, we do not believe that Hunnisett and Barker are entitled to such amount. There has been subsequent correspondence regarding a dispute as to whether an agreement between the parties had been reached regarding the Netherby Payment Amount; Hunnisett and Barker's contention is that such agreed Netherby Payment Amount was \$7.2 million. We do not believe that any such agreement was reached, and we do not believe that Hunnisett and Barker are entitled to such amount. We intend to vigorously defend ourselves against any claim for payment of an amount in excess of the amount to which we believe that Hunnisett and Barker are entitled. We have since completed the sale of Toreador Turkey Ltd., including with it Toreador Turkey's remaining 10% interest in the SASB license, to Tiway Oil, or Tiway. In connection with the sales referred to above, we have agreed to indemnify Petrol Ofisi and Tiway against and in respect of any and all claims, liabilities, and losses arising from the Overriding Royalty. As of December 31, 2009, we have accrued approximately \$870,000 as a contingent liability for these claims.

On June 17, 2009, The Scowcroft Group, Inc., or Scowcroft, filed a complaint in the United States District Court for the District of Columbia against us. The complaint alleges that we breached a contract, or the Scowcroft Contract, between Scowcroft and us relating to the sale of our interests in the SASB and that Scowcroft is entitled to a success fee thereunder as a result of the sale of our interests in the SASB to Petrol Ofisi in March 2009. The complaint also alleges unjust enrichment/quantum meruit and fraud. Scowcroft is seeking damages in the amount of \$2 million plus interest, costs and expenses. On July 24, 2009, we filed a motion to dismiss the complaint. The district court denied our motion to dismiss the action on October 26, 2009. On November 30, 2009, we filed an answer to the complaint. There was an initial scheduling conference in the matter on March 12, 2010. At the hearing the Court signed The Scowcroft Group's proposed protective order (which permits the parties to mark appropriate documents for confidential treatment), ordered that The Scowcroft Group produce its documents by March 15, 2010, suspended further discovery for 60 days while the parties mediate with a Magistrate Judge and set the next status conference for May 21, 2010, at which time the Court indicated that it will set a schedule if the case is not settled. We believe that we have defenses to Scowcroft's claims and intend to continue vigorously defending ourselves.

On January 25, 2010, we received a claim notice from Tiway under the Share Purchase Agreement, dated September 30, 2009, among us, Tiway Oil BV and Tiway relating to the sale of Toreador Turkey Ltd. in respect of a third-party claim asserted by Petrol Ofisi against Toreador Turkey Ltd. in the amount of TRY 7.6 million (\$5.1 million), for which Tiway alleges we are liable for an estimated TRY 2.1 million (\$1.4 million). No formal legal evaluation can be made at this time as to the extent of the Company's liability, if any.

From time to time, we are named as a defendant in other legal proceedings arising in the normal course of business. In our opinion, the final judgment or settlement, if any, which may be awarded with any suit or claim would not have a material adverse effect on our financial position.

TOREADOR RESOURCES CORPORATION**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)****NOTE 13 — DERIVATIVE FINANCIAL INSTRUMENTS**

We periodically utilize derivatives instruments such as futures, collar and swaps for purposes of hedging our exposure to fluctuations in the price of crude oil and natural gas sales. We entered into collar contracts for approximately 16,000 Bbls per month for the months of January 2008 through September 2008. This resulted in a net derivative fair value loss of \$1.8 million for the twelve months ended December 31, 2008, as presented in the table below:

Type	Period	Barrels	Floor	Ceiling	(Gain) Loss
Collar	January 1 — March 31, 2008	48,000	\$ 84.75	\$ 92.75	\$ 19
Collar	April 1 — June 2008	48,000	\$ 92.25	\$ 100.75	2,239
Collar	July 1 — September 2008	48,000	\$ 91.75	\$ 99.75	(477)
					<u>\$ 1,781</u>

On June 16, 2009 we entered into collars contracts for approximately 18,000 Bbls per month for the months of July 2009 through December 2009. This resulted in a realized gain of \$7,000 for the year ended December 31, 2009. Presented in the table below is a summary of the contracts entered into for the year ended December 31, 2009 and loss as of December 31, 2009

Type	Period	Barrels	Floor	Ceiling	Loss
Collar	July 1 — December 2009	110,400	\$ 65.00	\$ 77.00	<u>\$ (7)</u>

In December 2009, we entered into collars contracts for approximately 15,208 Bbls per month for the entire year of 2010. This resulted in an unrealized loss at December 31, 2010 of \$886,000. Presented in the table below is a summary of the contracts entered into for the year end December 31, 2009.

Type	Period	Barrels	Floor	Ceiling	(Gain) Loss
Collar	January 1 — December 31, 2010	182,500	\$ 68.00	\$ 81.00	<u>\$ 886</u>

NOTE 14 — FAIR VALUE MEASUREMENT

Effective January 1, 2008, we adopted the authoritative guidance that applies to all financial assets and liabilities required to be measured and reported on a fair value basis. Beginning January 1, 2009, we also applied the guidance to non-financial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The guidance requires disclosure that establishes a framework for measuring fair value, expands disclosure about fair value measurements and requires that fair value measurements be classified and disclosed in one of the following categories:

- Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. We consider active markets as those in which transactions for the assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

TOREADOR RESOURCES CORPORATION**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

- Level 2: Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability. This category includes those derivative instruments that we value using observable market data. Substantially all of these inputs are observable in the marketplace throughout the full term of the derivative instrument, can be derived from observable data or supported by observable levels at which transactions are executed in the market place. Instruments in this category include non-exchange traded derivatives such as over-the-counter commodity price swaps, certain investments and interest rate swaps.
- Level 3: Measured based on prices or valuation models that require inputs that are both significant to the fair value measurement and less observable from objective sources (i.e., supported by little or no market activity). Our valuation models for derivative contracts are primarily industry-standard models (i.e., Black-Scholes) that consider various inputs including: (a) quoted forward prices for commodities, (b) time value, (c) volatility factors, (d) counterparty credit risk and (e) current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Level 3 instruments primarily include derivative instruments, such as basis swaps, commodity price collars and floors and accrued liabilities. Although we utilize third party broker quotes to assess the reasonableness of our prices and valuation techniques, we do not have sufficient corroborating market evidence to support classifying these assets and liabilities as Level 2.

Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels.

Fair Value of Financial Instruments

The following table summarizes the valuation of our investments and financial instrument assets (liabilities) by pricing levels, recorded or disclosed at fair value on a recurring basis:

	Fair Value Measurement Classification			Total
	(Level 1)	(Level 2)	(Level 3)	
(In millions)				
<i>As of December 31, 2009:</i>				
Oil derivative contracts	—	—	886	886
Total	\$ —	\$ —	\$ 886	\$ 886

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The table below summarizes the change in carrying values associated with Level 3 financial instruments during the year ended December 31, 2009.

	Oil Derivative Contract
Balance at December 31, 2008	\$ —
Purchases	—
Proceeds received on settlement	(7)
Realized gain	7
Unrealized depreciation	(886)
Balance at December 31, 2009	\$ (886)
The amount of total gains for the period included in earnings attributable to the change in unrealized gains relating to assets still held at the reporting date	\$ 886

At December 31, 2009 and 2008, the Company did not have any assets or liabilities measured at fair value on a non-recurring basis.

Asset Impairments — The Company reviews proved oil and gas properties for impairment when events and circumstances indicate a significant decline in the recoverability of the carrying value of such properties. When events and circumstances indicate a significant decline in the recoverability of a property, the Company estimates the future cash flows expected in connection with the property and compares such future cash flows to the carrying value of the property to determine if the carrying amount is recoverable. If the carrying amount of the property exceeds its estimated undiscounted future cash flows, the carrying amount of the property is reduced to its estimated fair value. Fair value may be estimated using comparable market data, a discounted cash flow method, or a combination of the two. In the discounted cash flow method, estimated future cash flows are based on management's expectations for the future and include estimates of future oil and gas production, commodity prices based on commodity futures price strips as of the date of the estimate, operating and development costs, and a risk-adjusted discount rate.

The Company recorded asset impairments of \$10.7 million in discontinued operations on proved properties during the year ended December 31, 2009. During the year December 31, 2008, the Company recorded impairments of \$82.9 million for discontinued operation and \$2.3 million for continued operations on proved properties. Significant Level 3 assumptions associated with the calculation of discounted cash flows used in the impairment analysis include the Company's estimate of future natural gas and crude oil prices, operating and development costs, anticipated production of proved reserves, appropriate risk-adjusted discount rates and other relevant data.

Asset Retirement Obligations — The initial measurement of asset retirement obligations at fair value is calculated using discounted cash flow techniques and based on internal estimates of future retirement costs associated with oil and gas properties. Significant Level 3 inputs used in the calculation of asset retirement obligations include plugging costs and reserve lives. A reconciliation of the Company's asset retirement obligation is presented in Note 2.

Goodwill —

We account for goodwill in accordance with FASB ASC 350, "Intangibles — Goodwill and Other". Under ASC 350, goodwill and indefinite-lived intangible assets are not amortized but are reviewed annually (or more frequently if impairment indicators arise) for impairment

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE 15 — DISCONTINUED OPERATIONS

On June 14, 2007, the Board of Directors authorized management to sell all oil and natural gas properties in the United States. The sale of these properties completed the divestiture of the company's non-core domestic assets and allowed us to focus exclusively on our international operations. The sale was closed on September 1, 2007. The sales price was \$19.1 million which resulted in a pre-tax gain of \$9.2 million.

In the fourth quarter of 2008 and during the first quarter of 2009, Toreador farmed out or sold all of its working interests in Romania to three different companies and closed its office; thus, we no longer have any operational involvement in Romania. This resulted in a gain of \$5.8 million, which was recorded in the first quarter of 2009.

On March 3, 2009 we completed the sale of a 26.75% interest in the South Akcakoca Sub-Basin (SASB) project associated licenses located in the Black Sea offshore Turkey, to Petrol Ofisi for \$55 million. In accordance with the revised assignment announced on February 3, 2009, \$50 million of the proceeds was paid by Petrol Ofisi on March 3, 2009, and the remaining \$5 million was paid on September 1, 2009. There was no gain or loss resulting from this sale.

On September 30, 2009, the Company entered into a Share Purchase Agreement (the "Share Purchase Agreement") with Tiway Oil BV, a company organized under the laws of the Netherlands ("Tiway"), and Tiway Oil AS, a company organized under the laws of Norway, pursuant to which the Company agreed to sell 100% of the outstanding shares of Toreador Turkey Ltd. ("Toreador Turkey") to Tiway for total consideration consisting of: (1) a cash payment of \$10.5 million to be paid at closing, (2) exploration success payments dependent upon certain future commercial discoveries as provided in the Share Purchase Agreement, up to a maximum aggregate consideration of \$40 million, and (3) future quarterly 10% pre-tax net profit interest payments if a field goes into production that was discovered by an exploration well drilled within four years of closing on certain of the licenses then still held by Tiway. The sale of Toreador Turkey was completed on October 7, 2009 which resulted in a gain of \$1.8 million.

On September 30, 2009, the Company entered into a Quota Purchase Agreement (the "Quota Purchase Agreement") with RAG (Rohöl-Aufsuchungs Aktiengesellschaft), a corporation organized under the laws of Austria ("RAG"), pursuant to which the Company agreed to sell 100% of its equity interests in Toreador Hungary Limited ("Toreador Hungary") to RAG for total consideration consisting of (1) a cash payment of US\$5.4 million (€3.7 million) paid at closing, (2) US\$435,000 (€300,000), which was held back subject to a post-closing adjustment and was paid to us on November 5, 2009 and (3) a contingent payment of US\$2.9 million (€2 million) to be paid upon post-transaction completion of agreements relating to certain assets of Toreador Hungary. The sale of Toreador Hungary was completed on September 30, 2009 and resulted in a loss of \$4.1 million.

TOREADOR RESOURCES CORPORATION**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

The results of operations of assets in the United States, Romania, Turkey and Hungary have been presented as discontinued operations. The table below compares discontinued operations for the years ended December 31, 2009, 2008 and 2007:

	Year ended December 31,		
	2009	2008	2007
Revenue:			
Oil and natural gas sales	\$ 4,545	\$ 28,226	\$ 20,273
Operating costs and expenses:			
Lease operating expense	886	7,971	6,892
Exploration expense	868	4,582	11,324
Depreciation, depletion and amortization	157	28,148	17,466
Dry hole expense	1,318	—	18,096
Impairment	10,725	82,951	13,446
General and administrative expense	3,424	2,445	5,131
(Gain) loss on sale of properties and other assets	(3,583)	123	9,248
Total operating costs and expenses	13,795	126,220	63,107
Operating loss	(9,250)	(97,994)	(42,834)
Other income (expense):			
Loss on early extinguishment of debt	(4,881)	—	—
Foreign currency exchange	3,822	(342)	(25,984)
Interest and other income	414	1,004	445
Interest expense	(185)	(3,679)	(822)
Loss before taxes	(10,080)	(101,011)	(69,195)
Income tax provision	—	574	678
Loss from discontinued operations	\$ (10,080)	\$ (101,585)	\$ (69,873)

The assets and liabilities of discontinued operations presented separately under the captions "Oil and natural gas properties, net, held for sale", "Other assets held for sale" and "Liabilities held for sale" in balance sheet for the period ended December 31, 2008 are valued at the lower of cost or fair value less cost

TOREADOR RESOURCES CORPORATION**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

of selling such assets. The table below shows the components of the other assets held for sale and liabilities held for sale.

	<u>December 31,</u> <u>2008</u>
Current assets:	
Cash	\$ 4,597
Restricted cash	2,922
Accounts receivable	4,392
Other	1,568
Total current assets	<u>13,479</u>
Other assets	<u>1,484</u>
Other assets held for sale	<u>\$ 14,963</u>
Current liabilities:	
Accounts payable and accrued liabilities	\$ 9,223
Asset retirement obligations	2,028
Liabilities held for sale	<u>\$ 11,251</u>

NOTE 16 — INFORMATION ABOUT OIL AND NATURAL GAS PRODUCING ACTIVITIES AND OPERATING SEGMENTS

We have operations in only one industry segment, the oil and natural gas exploration and production industry. We are structured along geographic operating segments or regions. As a result, we have reportable operations in the United States and Western Europe (France). Geographic operating segment income tax expenses have been determined based on statutory rates existing in the various tax jurisdictions where we have oil and natural gas producing activities.

We allocate a portion of certain United States based employees salaries to our foreign subsidiaries. The amount allocated is based on an estimate of the time that employee has spent working on that on that subsidiary. We periodically review these percentages to make sure that our assumptions are still valid.

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following tables provide the geographic operating segment data required by FASB ASC 280, "Segment Reporting".

	<u>United States</u>	<u>France</u> <small>(In thousands)</small>	<u>Total</u>
<i>For the year ended December 31, 2009</i>			
Revenues:			
Oil and natural gas sales	\$ 461	\$ 18,775	\$ 19,236
Costs and expenses:			
Lease operating	—	8,396	8,396
Exploration expense	138	—	138
Depreciation, depletion and amortization	292	5,471	5,763
General and administrative	16,666	3,694	20,360
Gain on sale of properties and other assets	(121)		(121)
(Gain)loss on sale of oil and gas derivative contracts	886	(7)	879
Total costs and expenses	17,861	17,554	35,415
Operating income (loss)	(17,400)	1,221	(16,179)
Other income	182	215	397
Income (loss) before income taxes	(17,218)	1,436	(15,782)
Benefit for income taxes	408	42	450
Income (loss) from continuing operations, net of tax	\$ (16,810)	\$ 1,478	\$ (15,332)
Selected assets:			
Properties and equipment	\$ 650	\$ 115,785	\$ 116,435
Accumulated depreciation, depletion, and amortization	(246)	(41,568)	(41,814)
Oil and natural gas properties, net	\$ 404	\$ 74,217	\$ 74,621
Goodwill	\$ —	\$ 3,973	\$ 3,973
Total assets	\$ 42,996	\$ 100,989	\$ 143,985
Expenditures for additions to long-lived assets:			
Exploration costs	\$ —	\$ 2,887	\$ 2,887
Development costs	—	499	499
Total expenditures for long-lived assets	\$ —	\$ 3,386	\$ 3,386

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	United States	France	Total
	(In thousands)		
<i>For the year ended December 31, 2008</i>			
Revenues:			
Oil and natural gas sales	\$ 52	\$ 34,098	\$ 34,150
Costs and expenses:			
Lease operating	—	9,263	9,263
Exploration expense	1,080	144	1,224
Depreciation, depletion and amortization	307	4,687	4,994
Impairment of oil and natural gas properties and intangible assets	2,282	—	2,282
General and administrative	11,747	1,295	13,042
Loss on sale of oil and gas derivative contracts	—	1,781	1,781
Total costs and expenses	15,416	17,170	32,586
Operating income (loss)	(15,364)	16,928	1,564
Other income (expense)	(3,154)	72	(3,082)
Income (loss) before income taxes	(18,518)	17,000	(1,518)
Benefit (provision) for income taxes	563	(6,065)	(5,502)
Income (loss) from continuing operations, net of tax	\$ (17,955)	\$ 10,935	\$ (7,020)
Selected assets:			
Properties and equipment	\$ 1,860	\$ 108,668	\$ 110,528
Accumulated depreciation, depletion, and amortization	(1,163)	(36,612)	(37,775)
Oil and natural gas properties, net	\$ 697	\$ 72,056	\$ 72,753
Goodwill	\$ —	\$ 3,838	\$ 3,838
Total assets	\$ 276,434	\$ 93,691	\$ 370,125
Expenditures for additions to long-lived assets:			
Property acquisition costs	\$ —	\$ —	\$ —
Development costs	—	431	431
Other	10	—	10
Total expenditures for long-lived assets	\$ 10	\$ 431	\$ 441

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	<u>United States</u>	<u>France</u> (In thousands)	<u>Total</u>
<i>For the year ended December 31, 2007</i>			
Revenues:			
Oil and natural gas sales	\$ 34	\$ 25,873	\$ 25,907
Costs and expenses:			
Lease operating	—	7,344	7,344
Exploration expense	2,668	855	3,523
Depreciation, depletion and amortization	265	4,137	4,402
Dry hole cost	—	3,847	3,847
General and administrative	9,675	2,832	12,507
Gain on sale of properties and other assets	(3,155)	—	(3,155)
Loss on sale of oil and gas derivative contracts	1,005	—	1,005
Total costs and expenses	<u>10,458</u>	<u>19,015</u>	<u>29,473</u>
Operating income (loss)	(10,424)	6,858	(3,566)
Other expense	(1,914)	(470)	(2,384)
Income (loss) before income taxes	(12,338)	6,388	(5,950)
Benefit (provision) for income taxes	3,692	(2,290)	1,402
Income (loss) from continuing operations, net of tax	<u>\$ (8,646)</u>	<u>\$ 4,098</u>	<u>\$ (4,548)</u>
Selected assets:			
Properties and equipment	\$ 3,905	\$ 115,666	\$ 119,571
Accumulated depreciation, depletion, and amortization	(928)	(37,660)	(38,588)
Oil and natural gas properties, net	<u>\$ 2,977</u>	<u>\$ 78,006</u>	<u>\$ 80,983</u>
Goodwill	\$ —	\$ 4,059	\$ 4,059
Total assets	<u>\$ 298,949</u>	<u>\$ 83,683</u>	<u>\$ 382,632</u>
Expenditures for additions to long-lived assets:			
Exploration costs	\$ —	\$ 3,847	\$ 3,847
Other	398	—	398
Total expenditures for long-lived assets	<u>\$ 398</u>	<u>\$ 3,847</u>	<u>\$ 4,245</u>

The following table reconciles the total assets for reportable segments to consolidated assets.

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
	(in thousands)	
Total assets for reportable segments	\$ 143,985	\$ 370,125
Total assets of entities held for sale		(100,609)
Elimination of intersegment receivables and investments	(46,830)	(62,360)
Total consolidated assets	<u>\$ 97,155</u>	<u>\$ 207,156</u>

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE 17 — SUBSEQUENT EVENTS

On February 12, 2010, we completed a registered underwritten public offering of 3,450,000 shares of common stock, including 450,000 shares of common stock acquired by the underwriters from us to cover over-allotment options. The net proceeds to Toreador from the offering were approximately \$27.2 million, after deducting underwriting discounts, commissions and estimated offering expenses. We intend to use the net proceeds, together with cash on hand, to satisfy payment obligations arising from the holders' exercise, if any, of their right on October 1, 2010 to require the Company to repurchase its 5.00% Convertible Senior Notes due 2025 and for general corporate purposes, which may include working capital, capital expenditures and acquisitions.

On February 1, 2010, Toreador consummated an exchange transaction, or the Convertible Notes Exchange. In the Convertible Notes Exchange, in exchange for (a) \$22,231,000 principal amount of its outstanding 5.00% Convertible Senior Notes due 2025, or the Old Notes, and (b) \$9.4 million cash, we issued \$31,631,000 aggregate principal amount its 8.00%/7.00% Convertible Senior Notes due 2025, or the New Convertible Senior Notes, and paid accrued and unpaid interest on the Old Notes.

The New Convertible Senior Notes are senior unsecured obligations of the Company, ranking equal in right of payment with the Company's 5.00% Convertible Senior and future unsubordinated indebtedness. The New Convertible Senior Notes will mature on October 1, 2025 and pay annual cash interest at 8.00% from February 1, 2010 until January 31, 2011 and at 7.00% per annum thereafter. Interest on the New Convertible Senior Notes will be payable on February 1 and August 1 of each year, beginning on August 1, 2010.

The New Convertible Senior Notes are convertible prior to February 1, 2011 only if an event of default occurs and is continuing under the terms of the indenture, upon a Change of Control (as defined in the indenture) and to the extent the Company elects to redeem the New Convertible Senior Notes in a Provisional Redemption (as defined below). The New Convertible Senior Notes are convertible at any time on or after February 1, 2011 and before the close of business on October 1, 2025.

The New Convertible Senior Notes are convertible into shares of our common stock at an initial conversion rate of 72.9927 shares of common stock per \$1,000 principal amount of New Convertible Senior Notes (which is equivalent to an initial conversion price of \$13.70 per share), subject to adjustment upon certain events. Under the terms of the indenture governing the New Convertible Senior Notes, if on or before October 1, 2010, we sold shares of its common stock in an equity offering or an equity-linked offering (other than for compensation), for cash consideration per share such that 120% of the issuance price was less than the conversion price of the New Convertible Senior Notes then in effect, the conversion price was to be reduced to an amount equal to 120% of such offering price. As a result of our February 2010 public offering, the conversion rate of the New Convertible Senior Notes adjusted to 98.0392 shares of common stock per \$1,000 principal amount of New Convertible Senior Notes (which is equivalent to a conversion price of approximately \$10.20 per share). Pursuant to the indenture, the conversion price of the New Convertible Senior Notes will not be further adjusted under such provision because the proceeds from the public offering were in excess of \$20 million.

The New Convertible Senior Notes may be redeemed in whole or in part at the Company's option prior to October 1, 2013, in cash at a redemption price equal to one hundred percent (100%) of the principal amount of the New Convertible Senior Notes redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date plus a make-whole payment, if the closing sale price of the Company's common stock has exceeded 200% of the conversion price then in effect for at least twenty (20) trading days in any consecutive thirty (30)-trading day period ending on the trading day prior to the date of mailing of the relevant notice of redemption. The New Convertible Senior Notes may be redeemed in whole or in part at the Company's option on or after October 1, 2013 for cash at a redemption price

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

equal to 100% of the principal amount of the New Convertible Senior Notes redeemed, plus any accrued and unpaid interest to, but excluding, the redemption date. In addition, upon the occurrence of certain fundamental changes, and on each of October 1, 2013, October 1, 2015 and October 1, 2020, a holder may require the Company to repurchase all or a portion of the New Convertible Senior Notes in cash for 100% of the principal amount of the New Convertible Senior Notes to be purchased, plus any accrued and unpaid interest to, but excluding, the purchase date.

Pursuant to the indenture, the Company and its subsidiaries may not incur debt other than Permitted Indebtedness. "Permitted Indebtedness" includes (i) the New Convertible Senior Notes; (ii) the 5.00% Convertible Senior Notes or any indebtedness of the Company that serves to refund or refinance the 5.00% Convertible Senior Notes ("Refinancing Debt"), so long as the principal amount of the Refinancing Debt does not exceed the outstanding principal amount of the 5.00% Convertible Senior Notes; (iii) indebtedness incurred by the Company or its subsidiaries not to exceed the sum of (i) the product of (x) \$7.00 and (y) the number of barrels of proved plus probable reserves and (ii) cash equivalents less the aggregate principal amount of the New Convertible Senior Notes outstanding less the aggregate principal amount of the 5.00% Convertible Senior Notes less any Refinancing Debt; (iv) indebtedness that is nonrecourse to the Company or any of its subsidiaries used to finance projects or acquisitions, joint ventures or partnerships, including acquired indebtedness ("Nonrecourse Debt"); and (v) certain other customary categories of permitted debt. In addition, the Company may not permit its total consolidated net debt as of any date to exceed the product of (x) \$7.00 and (y) the number of barrels of proved plus probable reserves other than for Nonrecourse Debt. The proved plus probable reserves underlying any Nonrecourse Debt for which debt has been incurred as permitted debt pursuant to clause (iv) above will be excluded from the proved plus probable reserves calculation for the purposes of the above debt covenants.

NOTE 18 — SUPPLEMENTAL OIL AND NATURAL GAS RESERVES AND STANDARDIZED MEASURE INFORMATION (UNAUDITED)

Users of this information should be aware that the process of estimating quantities of proved and proved developed oil and gas reserves is very complex, requiring significant subjective decisions in the evaluation of all available geological, engineering and economic data for each reservoir. The data for a given reservoir also may change substantially over time as a result of numerous factors, including additional development activity, evolving production history and continual reassessment of the viability of production under varying economic conditions. Consequently, material revisions to existing reserve estimates may occur from time to time.

Recent SEC and FASB Rule-Making Activities. On December 31, 2008, the SEC issued the Final Rule adopting revisions to the SEC's oil and gas reporting disclosure requirements. In addition, in January 2010, the FASB issued ASU 2010-03, which aligns the FASB's oil and gas reserve estimation and disclosure requirements with the requirements in the SEC's Final Rule.

We adopted the Final Rule and ASU 2010-03 effective December 31, 2009 as a change in accounting principle that is inseparable from a change in accounting estimate. Such a change is accounted for prospectively under the authoritative accounting guidance. Comparative disclosures applying the new rules for periods before the adoption of ASU 2010-03 and the Final Rule are not required.

Our adoption of ASU 2010-03 and the Final Rule on December 31, 2009 impacted our financial statements and other disclosures in our annual report on Form 10-K for the year ended December 31, 2009, as follows:

- All oil and gas reserves volumes presented as of and for the year ended December 31, 2009 were prepared using the updated reserves rules and are not on a basis comparable with prior periods.

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

This change in comparability occurred because we estimated our proved reserves at December 31, 2009 using the updated reserves rules, which require use of the unweighted average first-day-of-the-month commodity prices for the prior twelve months, adjusted for market differentials, and permits the use of reliable technologies to support reserve estimates. Under the previous reserve estimation rules, which are no longer in effect, our net proved oil and gas reserves would have been calculated using end of period oil and gas prices. Adoption of ASU 2010-03 and the Final Rule did not have any significant effect on our reserves estimate, however, standardized measure of discounted future net cash flows related to proved reserves decreased by approximately \$23 million due to use of unweighted twelve month average price compare to year end price.

Reserves Estimates. All reserve information in this report is based on estimates prepared by our independent engineering firm and is the responsibility of management. The preparation of our oil reserves estimates is completed in accordance with our prescribed internal control procedures, which include verification of data input into reserves forecasting and economics evaluation software, as well as multi-discipline management reviews.

We retain an independent engineering firm to provide annual year-end estimates of our future net recoverable oil and natural gas reserves. Estimated proved net recoverable reserves we have shown below include only those quantities that we can expect to be commercially recoverable at prices and costs in effect at the balance sheet dates under existing regulatory practices and with conventional equipment and operating methods. Proved developed reserves represent only those reserves that we may recover through existing wells. Proved undeveloped reserves include those reserves that we may recover from new wells on undrilled acreage or from existing wells on which we must make a relatively major expenditure for recompletion or secondary recovery operations.

Discounted future cash flow estimates like those shown below are not intended to represent estimates of the fair value of oil and natural gas properties. Estimates of fair value should also consider probable reserves, anticipated future oil and natural gas prices, interest rates, changes in development and

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

production costs and risks associated with future production. Because of these and other considerations, any estimate of fair value is necessarily subjective and imprecise.

	<u>France</u>	<u>Turkey</u>	<u>Romania</u>	<u>Hungary</u>	<u>Total</u>
Natural Gas (MMcf)					
PROVED RESERVES					
December 31, 2006	—	21,424	3,041	950	25,415
Revisions of previous estimates	—	(8,215)	(1,671)	(950)	(10,836)
Extensions, discoveries and other additions	—	741	—	—	741
Sale of reserves	—	—	—	—	—
Production	—	(1,011)	(598)	—	(1,069)
December 31, 2007	—	12,939	772	—	13,711
Revisions of previous estimates	—	(819)	(310)	950	(179)
Extensions, discoveries and other additions	—	—	—	—	—
Sale of reserves	—	—	—	—	—
Production	—	(1,643)	(376)	—	(2,019)
December 31, 2008	—	10,477	86	950	11,513
Revisions of previous estimates	—	—	—	—	—
Extensions, discoveries and other additions	—	—	—	—	—
Sale of reserves	—	(10,477)	(86)	(950)	(11,513)
Production	—	—	—	—	—
December 31, 2009	—	—	—	—	—
PROVED DEVELOPED					
December 31, 2007	—	4,248	772	—	5,020
December 31, 2008	—	2,437	86	950	3,473
December 31, 2009	—	—	—	—	—
Oil (MBbls)					
PROVED RESERVES					
December 31, 2006	9,628	665	41	1	10,335
Revisions of previous estimates	661	481	(27)	(1)	1,114
Extensions, discoveries and other additions	39	—	—	—	39
Sale of reserves	—	(30)	—	—	(30)
Production	(360)	(67)	(8)	—	(435)
December 31, 2007	9,968	1,049	6	—	11,023
Revisions of previous estimates	(4,694)	(253)	(2)	1	(4,948)
Extensions, discoveries and other additions	—	—	—	—	—
Sale of reserves	—	—	—	—	—
Production	(360)	(55)	(3)	—	(418)
December 31, 2008	4,914	741	1	1	5,657
Revisions of previous estimates	1,217	—	—	—	1,217
Extensions, discoveries and other additions	—	—	—	—	—
Sale of reserves	—	(741)	(1)	(1)	(743)
Production	(328)	—	—	—	(328)
December 31, 2009	5,803	—	—	—	5,803
PROVED DEVELOPED					
December 31, 2007	7,170	808	6	—	7,984
December 31, 2008	4,385	500	1	1	4,887
December 31, 2009	5,383	—	—	—	5,383
PROVED UNDEVELOPED					
December 31, 2007	2,798	241	0	—	3,039
December 31, 2008	529	241	0	—	770
December 31, 2009	420	—	—	—	420



TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following information was developed utilizing procedures prescribed by FASB Accounting Standards Codification Topic 932, *Extractive Industries — Oil and Gas* (Topic 932). The information is based on estimates prepared by our independent engineering firm. The "standardized measure of discounted future net cash flows" should not be viewed as representative of the current value of our proved oil and gas reserves. It and the other information contained in the following tables may be useful for certain comparative purposes, but should not be solely relied upon in evaluating us or our performance.

In reviewing the information that follows, we believe that the following factors should be taken into account:

- future costs and sales prices will probably differ from those required to be used in these calculations;
- actual production rates for future periods may vary significantly from the rates assumed in the calculations;
- a 10% discount rate may not be reasonable relative to risk inherent in realizing future net oil and gas revenues; and
- future net revenues may be subject to different rates of income taxation.

Under the standardized measure, future cash inflows were estimated by applying the prices used in estimating our proved oil and gas reserves to the year-end quantities of those reserves. Future cash inflows do not reflect the impact of open hedge positions. Future cash inflows were reduced by estimated future development, abandonment and production costs based on year-end costs in order to arrive at net cash flows before tax. Future income tax expense has been computed by applying year-end statutory tax rates to aggregate future pre-tax net cash flows reduced by the tax basis of the properties involved and tax carryforwards. The standardized measure is derived from using a discount rate of 10% a year to reflect the timing of future net cash flows relating to proved oil and gas reserves.

In general, management does not rely on the following information in making investment and operating decisions. Such decisions are based upon a wide range of factors, including estimates of probable as well as proved reserves and varying price and cost assumptions considered more representative of a range of possible outcomes.

The prices of oil and natural gas at December 31, 2009, 2008, and 2007 used to estimate reserves in the table shown below, were \$56.99, \$34.29 and \$95.72 per Bbl of oil, respectively, and \$0, \$12.68 and \$8.91 per Mcf of natural gas, respectively. The price at December 31, 2009, was the average price for the previous twelve months. All other years are the price at December 31 of the year shown.

	<u>France</u>	<u>Turkey</u>	<u>Romania</u>	<u>Hungary</u>	<u>Total</u>
	(In thousands)				
<i>As of and for the year ended</i>					
<i>December 31, 2007</i>					
Future cash inflows	\$ 963,444	\$ 209,405	\$ 4,495	\$ —	\$ 1,177,344
Future production costs	305,939	29,759	3,202	—	338,900
Future development costs	32,221	22,272	95	—	54,588
Future income tax expense	200,094	6,597	—	—	206,691
Future net cash flows	<u>425,190</u>	<u>150,777</u>	<u>1,198</u>	<u>—</u>	<u>577,165</u>
10% annual discount for estimated timing of cash flows	<u>250,979</u>	<u>66,729</u>	<u>88</u>	<u>—</u>	<u>317,796</u>
Standardized measure of discounted future net cash flows related to proved reserves	<u>\$ 174,211</u>	<u>\$ 84,048</u>	<u>\$ 1,110</u>	<u>\$ —</u>	<u>\$ 259,369</u>

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	<u>France</u>	<u>Turkey</u>	<u>Romania</u>	<u>Hungary</u>	<u>Total</u>
	(In thousands)				
<i>As of and for the year ended</i>					
<i>December 31, 2008</i>					
Future cash inflows	\$ 170,662	\$ 155,179	\$ 412	\$ 13,735	\$ 339,988
Future production costs	105,298	26,939	381	1,851	134,469
Future development costs	13,658	71,283	159	550	85,650
Future income tax expense	10,027	—	—	—	10,027
Future net cash flows(1)	41,679	56,957	(128)	11,334	109,842
10% annual discount for estimated timing of cash flows	23,116	29,909	(7)	2,056	55,074
Standardized measure of discounted future net cash flows related to proved reserves(1)	\$ 18,563	\$ 27,048	\$ (121)	\$ 9,278	\$ 54,768
<i>As of and for the year ended</i>					
<i>December 31, 2009</i>					
Future cash inflows	\$ 301,070	\$ —	\$ —	\$ —	\$ 301,070
Future production costs	187,900	—	—	—	187,900
Future development costs	60,160	—	—	—	60,160
Future income tax expense	11,959	—	—	—	11,959
Future net cash flows	41,051	—	—	—	41,051
10% annual discount for estimated timing of cash flows	24,282	—	—	—	24,282
Standardized measure of discounted future net cash flows related to proved reserves	\$ 16,769	\$ —	\$ —	\$ —	\$ 16,769

(1) The negative values are due to plugging and abandonment costs incurred in the final year.

TOREADOR RESOURCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following are the principal sources of change in the standardized measure:

	<u>France</u>	<u>Turkey</u>	<u>Romania</u>	<u>Hungary</u>	<u>Total</u>
	(In thousands)				
Balance at December 31, 2006	86,190	84,330	13,387	970	184,877
Sales of oil and natural gas, net	(18,529)	(9,213)	(1,271)	—	(29,013)
Net changes in prices and production costs	120,639	38,613	(7,953)	—	151,299
Net change in development costs	(266)	(5,701)	59	641	(5,267)
Extensions and discoveries	1,076	3,930	—	—	5,006
Revisions of previous quantity estimates	18,303	(28,262)	(2,726)	(3,267)	(15,952)
Previously estimated development costs incurred	(1,992)	(8,523)	—	—	(10,515)
Net change in income taxes	(42,760)	257	448	1,656	(40,399)
Accretion of discount	11,871	8,492	(841)	—	19,522
Sale of reserves	—	(967)	—	—	(967)
Other	(321)	1,092	7	—	778
Balance at December 31, 2007	174,211	84,048	1,110	—	259,369
Sales of oil and natural gas, net	(24,834)	(22,191)	1,906	—	(45,119)
Net changes in prices and production costs	(212,520)	(7,298)	(481)	—	(220,299)
Net change in development costs	7,795	(30,943)	(62)	(451)	(23,661)
Extensions and discoveries	—	—	—	—	—
Revisions of previous quantity estimates	(26,219)	(11,419)	(105)	9,737	(28,006)
Previously estimated development costs incurred	—	(5,475)	—	—	(5,475)
Net change in income taxes	81,846	5,329	(2,712)	38	84,501
Accretion of discount	26,260	8,938	111	—	35,309
Sale of reserves	—	—	—	—	—
Other	(7,976)	6,059	112	(46)	(1,851)
Balance at December 31, 2008	\$ 18,563	\$ 27,048	\$ (121)	\$ 9,278	\$ 54,768
Sales of oil and natural gas, net	(10,379)	(4,753)	(72)	—	(15,204)
Net changes in prices and production costs	18,069	—	—	—	18,069
Net change in development costs	(22,579)	—	—	—	(22,579)
Extensions and discoveries	—	—	—	—	—
Revisions of previous quantity estimates	11,531	—	—	—	11,531
Previously estimated development costs incurred	—	—	—	—	—
Net change in income taxes	(7,774)	—	—	—	(7,774)
Accretion of discount	2,511	—	—	—	2,511
Sale of reserves	—	(22,295)	193	(9,278)	(31,380)
Other	6,827	—	—	—	6,827
Balance at December 31, 2009	\$ 16,769	\$ —	\$ —	\$ —	\$ 16,769

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table shows the cash flow summary for the year ended December 31, 2009, using the year end oil price of \$74.75 per BBL.

<i>As of and for the year ended</i>					
<i>December 31, 2009</i>					
Future cash inflows	\$ 400,310	\$ —	\$ —	\$ —	\$ 400,310
Future production costs	187,900	—	—	—	187,900
Future development costs	60,160	—	—	—	60,160
Future income tax expense	45,024	—	—	—	45,024
Future net cash flows	107,226	—	—	—	107,226
10% annual discount for estimated timing of cash flows	67,858	—	—	—	67,858
Standardized measure of discounted future net cash flows related to proved reserves	\$ 39,368	\$ —	\$ —	\$ —	\$ 39,368

The following are the principal sources of change in the standardized measure using a year end oil price of \$74.75 per BBL:

Balance at December 31, 2008	\$ 18,563	\$ 27,048	\$ (121)	\$ 9,278	\$ 54,768
Sales of oil and natural gas, net	(10,379)	(4,753)	(72)	—	(15,204)
Net changes in prices and production costs	56,916	—	—	—	56,916
Net change in development costs	(22,579)	—	—	—	(22,579)
Extensions and discoveries	—	—	—	—	—
Revisions of previous quantity estimates	21,642	—	—	—	21,642
Previously estimated development costs incurred	—	—	—	—	—
Net change in income taxes	(18,784)	—	—	—	(18,784)
Accretion of discount	2,511	—	—	—	2,511
Sale of reserves	—	(22,295)	193	(9,278)	(31,380)
Other	(8,522)	—	—	—	(8,522)
Balance at December 31, 2009	\$ 39,368	\$ —	\$ —	\$ —	\$ 39,368

THIS WARRANT AND THE SECURITIES ISSUABLE UPON THE EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED, HYPOTHECATED, OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933 AND ANY APPLICABLE STATE SECURITIES LAWS, OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT REGISTRATION IS NOT REQUIRED UNDER SUCH ACT OR UNLESS SOLD PURSUANT TO RULE 144 UNDER SUCH ACT.

**WARRANT TO PURCHASE COMMON STOCK
of TOREADOR RESOURCES CORPORATION**

Warrant No. 032

Void after December 29, 2010

This Warrant is issued to ParCon Consulting (or its successors or permitted assigns, the "Holder") by Toreador Resources Corporation, a Delaware corporation (the "Company"), on December 29, 2005 (the "Warrant Issue Date").

1. Purchase Shares. Subject to the terms and conditions hereinafter set forth, the Holder is entitled, upon surrender of this Warrant at the principal office of the Company (or at such other place as the Company shall notify the holder hereof in writing), to purchase from the Company up to Ten Thousand (10,000) fully paid and nonassessable shares of Common Stock, par value \$0.15625, of the Company, as constituted on the Warrant Issue Date (the "Common Stock"). The number of shares of Common Stock issuable pursuant to this Section 1 (the "Shares") shall be subject to adjustment pursuant to Section 11 hereof.

2. Exercise Price. The purchase price for the Shares shall be \$27.65 per share, as adjusted from time to time pursuant to Section 11 hereof (the "Exercise Price").

3. Exercise Period. This Warrant shall be exercisable commencing on the Warrant Issue Date and shall expire and be of no farther force or effect at 4:30 pm (Dallas time) on December 29, 2010 (the "Expiration Date").

4. Method of Exercise. While this Warrant remains outstanding and exercisable in accordance with Section 3 above, the Holder may exercise, in whole or in part, the purchase rights evidenced hereby. Such exercise shall be effected by:

(a) the surrender of the Warrant, together with a duly executed copy of the form of Notice of Election attached hereto, to the Secretary of the Company at its principal office; and

(b) the payment to the Company of an amount equal to the aggregate Exercise Price for the number of Shares being purchased by certified check or bank draft.

5. Partial Exercise. If this Warrant is exercised for less than all of the Common Stock purchasable under this Warrant, the Company shall cancel this Warrant upon surrender hereof and shall execute and deliver to the Holder a new Warrant of like tenor for the balance of the Common Stock purchasable hereunder.

6. When Exercise Effective. The exercise of this Warrant shall be deemed to have been effective immediately prior to the close of business on the day on which this Warrant is surrendered to and the purchase price is received by the Company as provided in Section 4 above (the "Exercise Date") and the Holder shall be deemed to be the record holder of such Common Stock for all purposes on the Exercise Date.

7. Accredited Investor. On the date hereof, the Holder is an "accredited investor" as defined in Rule 501(a) under the Securities Act of 1933, as amended (the "Securities Act"). Immediately prior to any exercise of the Warrant pursuant to Section 4, the Holder shall provide the Company with a representation that it is still an "accredited investor" as defined in Rule 501(a) under the Securities Act.

8. Investment Representation. Unless the Shares are issued to the Holder in a transaction registered under applicable federal and state securities laws, by its execution hereof, the Holder represents and warrants to the Company that all Shares which may be purchased hereunder will be acquired by the Holder for investment purposes for its own account and not with any intent for resale or distribution in violation of federal or state securities laws. Unless the Shares are issued to the Holder in a transaction registered under the applicable federal and state securities laws, all certificates issued with respect to the Shares shall bear the appropriate restrictive investment legend and shall be held indefinitely, unless they are subsequently registered under the applicable federal and state securities laws or the Holder obtains an opinion of counsel, in form and substance satisfactory to the Company and its counsel, that such registration is not required.

9. Certificates for Shares. Upon the exercise of the purchase rights evidenced by Section 4 of this Warrant, one or more certificates for the number of Shares so purchased shall be issued as soon as practicable thereafter (with appropriate restrictive legends, if applicable), and in any event within thirty (30) days of the delivery of the Notice of Election.

10. Issuance of Shares. The Company covenants that the Shares, when issued pursuant to the exercise of this Warrant under Section 4, will be duly and validly issued, fully paid and nonassessable.

11. Adjustment of Exercise Price and Number of Shares. The number of and kind of securities purchasable upon exercise of this Warrant and the Exercise Price shall be subject to adjustment from time to time as follows:

(a) Subdivisions, Combinations and Other Issuances. If the Company shall at any time prior to the expiration of this Warrant subdivide its Common Stock, by split-up or otherwise, or combine its Common Stock, or issue additional shares of its Common Stock as a dividend or distribution with respect to any shares of its Common Stock, the number of Shares issuable on the exercise of this Warrant shall forthwith be proportionately increased in the case

2

of a subdivision or stock dividend or distribution, or proportionately decreased in the case of a combination. Appropriate adjustments shall also be made to the purchase price payable per share, but the aggregate purchase price payable for the total number of Shares purchasable under this Warrant (as adjusted) shall remain the same. Any adjustment under this Section 11(a) shall become effective at the close of business on the date the subdivision or combination becomes effective, or as of the record date of such dividend or distribution, or in the event that no record date is fixed, upon the making of such dividend or distribution.

(b) Reclassification, Reorganization and Consolidation. In case of any reclassification, capital reorganization, consolidation or merger of the Company, sale or conveyance of all or substantially all assets of the Company or change in the Common Stock of the Company (other than as a result of a subdivision, combination, or stock dividend provided for in Section 11(a) above), then, as a condition precedent of such reclassification, reorganization, consolidation, merger, sale, conveyance or change, lawful provision shall be made, and duly executed documents evidencing the same from the Company or its successor shall be delivered to the Holder, so that the Holder shall have the right at any time prior to the expiration of this Warrant to purchase, at a total price equal to that payable upon the exercise of this Warrant, the kind and amount of shares of stock and other securities and property receivable in connection with such reclassification, reorganization, consolidation, merger, sale, conveyance or change by a holder of the same number of shares of Common Stock as were purchasable by the Holder immediately prior to such reclassification, reorganization, consolidation, merger, sale, conveyance or change. In any such case appropriate provisions shall be made with respect to the rights and interest of the Holder so that the provisions hereof shall thereafter be applicable with respect to any shares of stock or other securities and property deliverable upon exercise hereof, and appropriate adjustments shall be made to the purchase price per share payable hereunder, provided the aggregate purchase price shall remain the same.

(c) Carry Over of Adjustments. No adjustment of the Exercise Price shall be made if the amount of such adjustment shall be less than 1% of the Exercise Price in effect immediately prior to the event giving rise to the adjustment, provided, however, that in such case any adjustment that would otherwise be required then to be made shall be carried forward and shall be made at the time of and together with the next subsequent adjustment which, together with any adjustment so carried forward, shall amount to at least 1% of the Exercise Price.

(d) Discretionary Reduction in Exercise Price. The Company may at any time or from time to time reduce the Exercise Price of the Warrant.

(e) Notice of Adjustment. Upon any adjustment of the number of Shares and upon any adjustment of the Exercise Price, then and in each such case the Company shall give written notice thereof to the Holder, which notice shall state the Exercise Price and the number of Shares or other securities subject to the unexercised Warrant resulting from such adjustment, and shall set forth in reasonable detail the method of calculation and the facts upon which such calculation is based.

3

(f) Other Notices. In case at any time prior to the Expiration Date:

- (i) the Company shall declare any dividend or distribution upon its shares of Common Stock payable in shares;
- (ii) the Company shall offer for subscription pro rata to the holders of its shares of Common Stock any additional shares of any class or other rights;
- (iii) there shall be any capital reorganization or reclassification of the capital stock of the Company, or consolidation, amalgamation or merger of the Company with, or sale of all or substantially all of its assets to, any other entity or person; or
- (iv) there shall be a voluntary dissolution, liquidation or winding-up of the Company,

then, in any one or more of such cases, the Company shall give to the Holder (A) at least 10 days' prior written notice of the date on which a record date shall be taken for such dividend, distribution or subscription rights or for determining rights to vote in respect of any such reorganization, reclassification, consolidation, merger, amalgamation, sale, dissolution, liquidation or winding-up and (B) in the case of any such reorganization, reclassification, consolidation, merger, amalgamation, sale, dissolution, liquidation or winding-up, at least 10 days' prior written notice of the date when the same shall take place. Such notice in accordance with the foregoing clause (A) shall also specify, in the case of any such dividend, distribution or subscription rights, the date on which the holders of shares of Common Stock shall be entitled thereto, and such notice in accordance with the foregoing clause (B) shall also specify the date on which the holders of shares of Common Stock shall be entitled to exchange their shares of Common Stock for securities or other property deliverable upon such reorganization, reclassification, consolidation,

merger, amalgamation, sale, dissolution, liquidation or winding-up, as the case may be.

(g) Shares to be Reserved. The Company will at all times keep available, and reserve out of its authorized shares of Common Stock, solely for the purpose of issue upon the exercise of the Warrant, such number of Shares as shall then be issuable upon the exercise of the Warrant. The Company will take all such actions as may be necessary to ensure that all such Shares may be so issued without violation of any applicable requirements of the New York Stock Exchange, the American Stock Exchange, the Nasdaq National Market or the Nasdaq Small Cap Market, as applicable. The Company will take all such actions as are within its power to ensure that all such Shares may be so issued without violation of any applicable law.

12. No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant, but in lieu of such fractional shares the Company shall make a cash payment therefor on the basis of the Exercise Price then in effect.

13. No Stockholder Rights. Prior to exercise of this Warrant, the Holder shall not be entitled to any rights of a stockholder with respect to the Shares, including (without

4

limitation) the right to vote such Shares, receive dividends or other distributions thereon, exercise preemptive rights or be notified of stockholder meetings, and the Holder shall not be entitled to any notice or other communication concerning the business or affairs of the Company. However, nothing in this Section 13 shall limit the right of the Holder to be provided the Notices required under this Warrant.

14. Participation in Rights Distribution. If at any time, while this Warrant, or any portion thereof, is outstanding and unexpired, the Company shall issue to all holders of its Common Stock rights (the "Rights") entitling the holders thereof to purchase shares of Common Stock, the Company also shall issue to the Holder identical Rights, with such number of Rights to be issued to the Holder being based on the number of shares of Common Stock which Holder would then be entitled to receive if this Warrant had been exercised in full immediately prior to the issuance of the Rights. Prior to issuing the Rights, the Company shall provide notice to the Holder as set forth in Section 11(f). In connection with issuing the Rights, the Company will take all necessary corporate action to at all times keep available and reserve out of its authorized shares of Common Stock the number of shares of Common Stock issuable upon exercise of the Rights.

15. Transfers of Warrant. The Holder of the Warrants may transfer this Warrant only to an Affiliate (as defined under Rule 405 promulgated pursuant to the Securities Act) only in compliance with all applicable federal and state securities laws; provided however, that this Warrant may only be transferred by the Holder to a maximum of five individuals or entities. No subsequent transfer of this Warrant by any assignee of the Holder shall be permissible, without the prior written consent of the Company. In order for a transferee of this Warrant to receive any of the benefits of such Warrant, the Company must have received notice of such transfer, pursuant to Section 19 hereof, in the form of assignment attached hereto, accompanied by an opinion of counsel, which opinion shall be reasonably acceptable to the Company, that an exemption from registration of this Warrant under the Securities Act and under any applicable state securities law is available.

16. Replacement. Upon receipt by the Company of an affidavit of an authorized representative of the Holder stating the circumstances of the loss, theft, destruction or mutilation of this Warrant and, if requested by the Company, upon delivery of a bond of indemnity satisfactory to the Company (or, in the case of mutilation, upon surrender of this Warrant) sufficient to protect the Company from any loss it may suffer as a result of a lost, stolen or destroyed Warrant, the Company will issue to the Holder a replacement warrant (containing the same terms and conditions as this Warrant).

17. Successors and Assigns. The terms and provisions of this Warrant shall inure to the benefit of, and be binding upon, the Company and the Holder hereof and their respective successors and permitted assigns as set forth in Section 15.

18. Amendments and Waivers. Any term of this Warrant may be amended and the observance of any term of this Warrant may be waived (either generally or in a particular instance and either retroactively or prospectively), with the written consent of the Company and the Holder.

5

19. Notices. All notices required under this Warrant shall be deemed to have been given or made for all purposes (i) upon personal delivery, (ii) upon confirmation receipt that the communication was successfully sent to the applicable number if sent by facsimile; (iii) one business day after being sent, when sent by professional overnight courier service, or (iv) ten days after mailing when sent by registered or certified mail. Notices to the Company shall be sent to the principal office of the Company (or at such other place as the Company shall notify the Holder hereof in writing). Notices to the Holder shall be sent to the address of the Holder on the books of the Company (or at such other place as the Holder shall notify the Company hereof in writing).

20. Certain Remedies. The Holder shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Warrant regarding the Company issuing Common Stock upon the exercise of the Warrant, issuing a new Warrant upon the partial exercise of the Warrant and issuing a new Warrant to replace a lost, stolen or destroyed Warrant and to enforce specifically the terms and provisions of this Warrant regarding the Company issuing Common Stock upon the exercise of the Warrant, issuing a new Warrant upon the partial exercise of the Warrant and issuing a new Warrant to replace a lost, stolen or destroyed Warrant in any court of the United States or any state thereof having jurisdiction, this being in addition to any other remedy to which the Holder may be entitled at law or in equity.

21. Captions. The section and subsection headings of this Warrant are inserted for convenience only and shall not constitute a part of this Warrant in construing or interpreting any provision hereof.

22. Governing Law. This Warrant shall be governed by the laws of the State of Delaware.

6

IN WITNESS WHEREOF, Toreador Resources Corporation caused this Warrant to be executed by an officer thereunto duly authorized.

TOREADOR RESOURCES CORPORATION

By: _____

Name: _____

Title: _____

Agreed to and Acknowledged by:

PARCON CONSULTING

By: _____

Name: _____

Title: _____

7

FORM OF NOTICE OF ELECTION

The undersigned hereby irrevocable elects to exercise the number of Warrants of TOREADOR RESOURCES CORPORATION set out below for the number of Shares (or other property or securities subject thereto) as set forth below:

(a) Number of Shares to be Acquired; _____

(b) Exercise Price per Share: _____

(c) Aggregate Purchase Price [(a) multiplied by (b)]: _____

and hereby tenders a certified check, bank draft or cash for such aggregate purchase price, and directs such Shares to be registered and a certificate therefore to be issued as directed below.

DATED this _____ day of _____,

Per: _____

Direction as to Registration

Name of Registered Holder: _____

Address of Registered Holder: _____

FORM OF ASSIGNMENT

(To be executed by the registered holder if such holder

desires to transfer the Warrant.)

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto the Assignee named below all of the rights of the undersigned to purchase shares of common stock ("Common Shares") of Toreador Resources Corporation represented by the Warrant, with respect to the number of Common Shares set forth below:

Name of Assignee	Address	Number of Common Shares

and does hereby irrevocably constitute and appoint _____ Attorney, to make such transfer on the books of Toreador Resources Corporation, maintained for that purpose, with full power of substitution in the premises.

Dated: _____, 200

Signature _____
(Signature must conform in all respect to name of holder as specified on the face of the Warrant.)

(Insert Social Security or Other Identifying Number of Holder)

Computation of Ratio of Earnings to Fixed Charges

	Year ended December 31,				
	2009	2008	2007	2006	2005
Earnings (loss):					
Pretax					
Income from continuing operations	\$ (15,782)	\$ (102,507)	\$ (81,466)	\$ 10,115	\$ 3,317
Add: fixed charges	\$ 3,493	\$ 7,848	\$ 4,291	\$ 1,099	\$ 1,477
Equity in earnings of unconsolidated sub	0	0	-22	401	222
Less:					
Pref Dividends (grossed-up)	0	0	-162	-245	-1036
Interest capitalized	230	0	0	-8	-301
Earnings as defined in Item 503 of Reg. S-K	\$ (12,059)	\$ (94,659)	\$ (77,359)	\$ 11,362	\$ 3,679
Fixed Costs:					
Interest expense	\$ 3,525	7650	3940	660	0
cap int	-230	0	0	8	301
Pref Dividends (grossed-up)	0	0	162	245	1036
Interest included in rental expense	198	198	189	186	140
Fixed costs as defined in Item 503 of Reg. S-K	\$ 3,493	\$ 7,848	\$ 4,291	\$ 1,099	\$ 1,477
Ratio of earnings to fixed costs	N/A	N/A	N/A	13.31	8.35
<i>Pref Dividends Excluded</i>					
\$ value of deficiency	\$ (15,552)	\$ (102,507)	\$ (81,488)	N/A	N/A
Ratio of earnings to fixed costs and preference dividends	N/A	N/A	N/A	10.34	2.49
\$ value of deficiency	\$ (15,552)	\$ (102,507)	\$ (81,650)	N/A	N/A

**TOREADOR RESOURCES CORPORATION
AND SUBSIDIARIES AS OF MARCH 2010**

Company	Jurisdiction
Toreador Resources Corporation	Delaware
Toreador Exploration & Production Inc.	Texas
Toreador Acquisition Corporation	Delaware
Toreador Energy France S.C.S	France
Toreador Exploration Ltd.	Cayman islands
Toreador International Holding LLC	Hungary
Toreador France S.A.S.	France
Toreador Holding S.A.S.	France

[QuickLinks](#) -- Click here to rapidly navigate through this document

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated March 16, 2010, with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of Toreador Resources Corporation on Form 10-K for the year ended December 31, 2009. We hereby consent to the incorporation by reference of said reports in the Registration Statements of Toreador Resources Corporation on Forms S-8 (File No. 333-14145, File No. 333-39309, File No. 333-88475, No. 333-53632, File No. 333-99959, File No. 333-125050, File No. 333-134144, and File No. 333-150930) and on Forms S-3 (File No. 333-52522, File No. 333-65720, File No. 333-118376, File No. 333-118377, File No. 333-129628, and File No. 333-163067).

/s/ Grant Thornton LLP

Houston, Texas
March 16, 2010

QuickLinks

[EXHIBIT 23.1](#)

[CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM](#)

[QuickLinks](#) -- Click here to rapidly navigate through this document

Exhibit 23.2

GCA Gaffney, Cline & Associates Ltd

Technical and Management Advisers to the Petroleum Industry Internationally Since 1962

Bentley Hall
Blacknest, Alton
Hampshire GU34 4PU
United Kingdom
Telephone: +44 (0) 1420 525366
Facsimile: +44 (0) 1420 525367
email: gcauk@gaffney-cline.com
www.gaffney-cline.com

Registered London No. 1122740

CJF/E2126.02/nxd/0432

16th March, 2010

The Directors,
Toreador Resources Corporation,
9 rue Scribe,
75009 Paris,
France.

Dear Sirs,

CONSENT OF INDEPENDENT PETROLEUM ENGINEERS

We hereby consent to the references to our firm included in Toreador Resources Corporation's Annual Report on Form 10-K for the year ended 31st December, 2009 (the "Annual Report") and to the inclusion of our report dated 11th March, 2010, containing our opinion on the proved, probable and possible reserves attributable to certain assets owned by Toreador Resources Corporation as of 31st December, 2009 (our "Report"), as an exhibit in the Annual Report. We also consent to the incorporation by reference of our Report, and the information contained therein, in the Registration Statements filed by Toreador Resources Corporation on Form S-3 (Nos. 333-163067, 333-52522, 333-65720, 333-118376, 333-118377 and 333-129628) and Form S-8 (Nos. 333-14145, 333-39309, 333-88475, 333-53632, 333-99959, 333-125050, 333-134144 and 333-150930).

Yours Sincerely,
GAFFNEY, CLINE & ASSOCIATES LTD.
/s/ Brian C. Rhodes
Brian C. Rhodes

UNITED KINGDOM UNITED STATES SINGAPORE AUSTRALIA ARGENTINA UAE RUSSIA KAZAKHSTAN

QuickLinks

[Exhibit 23.2](#)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Craig M. McKenzie, certify that:

- (1) I have reviewed this annual report on Form 10-K of Treador Resources Corporation;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operation and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 16, 2010

/s/ Craig M. McKenzie

Craig M. McKenzie
President and Chief Executive Officer
(Principal Executive Officer)

QuickLinks

[EXHIBIT 31.1](#)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Marc Sengés, certify that:

- (1) I have reviewed this annual report on Form 10-K of Toreador Resources Corporation;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operation and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 16, 2010

/s/ Marc Sengés

Marc Sengés
Chief Financial Officer
(Principal Financial Officer)

QuickLinks

[EXHIBIT 31.2](#)

[QuickLinks](#) -- Click here to rapidly navigate through this document

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of Toreador Resources Corporation (the "Company"), does hereby certify, to such officer's knowledge, that: the Annual Report on Form 10-K, for year ended December 31, 2009 (the "Form 10-K") of the Company fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Form 10-K.

Dated: March 16, 2010

/s/ Craig M. McKenzie

Craig M. McKenzie
President and Chief Executive Officer
(Principal Executive Officer)

Dated: March 16, 2010

/s/ Marc Sengés

Marc Sengés
Chief Financial Officer
(Principal Financial Officer)

The foregoing certification is being furnished as an exhibit to the Form 10-K pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and, accordingly, is not being filed as part of the Form 10-K for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

QuickLinks

[EXHIBIT 32.1](#)



Gaffney, Cline & Associates Ltd

Technical and Management Advisers to the Petroleum Industry Internationally Since 1962

Bentley Hall
Blacknest, Alton
Hampshire GU34 4PU
United Kingdom

Telephone: +44 (0) 1420 525366
Facsimile: +44 (0) 1420 525367

email: gcauk@gaffney-cline.com
www.gaffney-cline.com

Registered London No. 1122740

CJF/E2126.02/nxd/0422

11th March, 2010

Mr. Craig McKenzie,
President and Chief Executive Officer,
Toreador Resources Corporation,
9 rue Scribe,
75009 Paris,
France.

Dear Mr. McKenzie,

UNITED STATES SECURITIES AND EXCHANGE COMMISSION COMPLIANT RESERVES FOR CERTAIN OF TOREADOR'S FRENCH OIL PRODUCING ASSETS AS AT 31ST DECEMBER, 2009

INTRODUCTION

In accordance with your instructions, Gaffney, Cline & Associates Ltd (GCA) has carried out an audit of the oil and gas Reserves of certain Paris Basin assets owned by Toreador Resources Corporation (Toreador) as at 31st December, 2009. This audit has been carried out in accordance with the United States Securities and Exchange Commission (SEC) Rule 4-10 of the Securities Exchange Act of 1934, with due regard for the amendments to that Rule, which were introduced in 2009 for reserves reporting effective from 2010.

Toreador operates three main producing assets namely, the Neocomian Fields, Charmottes (Triassic) and Charmottes (Dogger) and has 100% equity in all of these fields. The Neocomian fields are very mature with over 50 years of production and 350 wells have been drilled since discovery in 1958. The Charmottes fields were discovered 1984, and over 14 wells have been drilled in the Dogger reservoir and 4 wells in the Triassic.

The location of these fields is shown in Figure 0.1.

Toreador provided to GCA a data set of technical information, including geological, geophysical and engineering data and reports, together with financial data and development plans. Further Toreador provided a copy of the third party Reserves Audit for year-end, 2008. GCA has also had several meetings and discussions with Toreador technical and managerial personnel. In carrying out this review GCA has relied on the accuracy and completeness of the information received from Toreador.

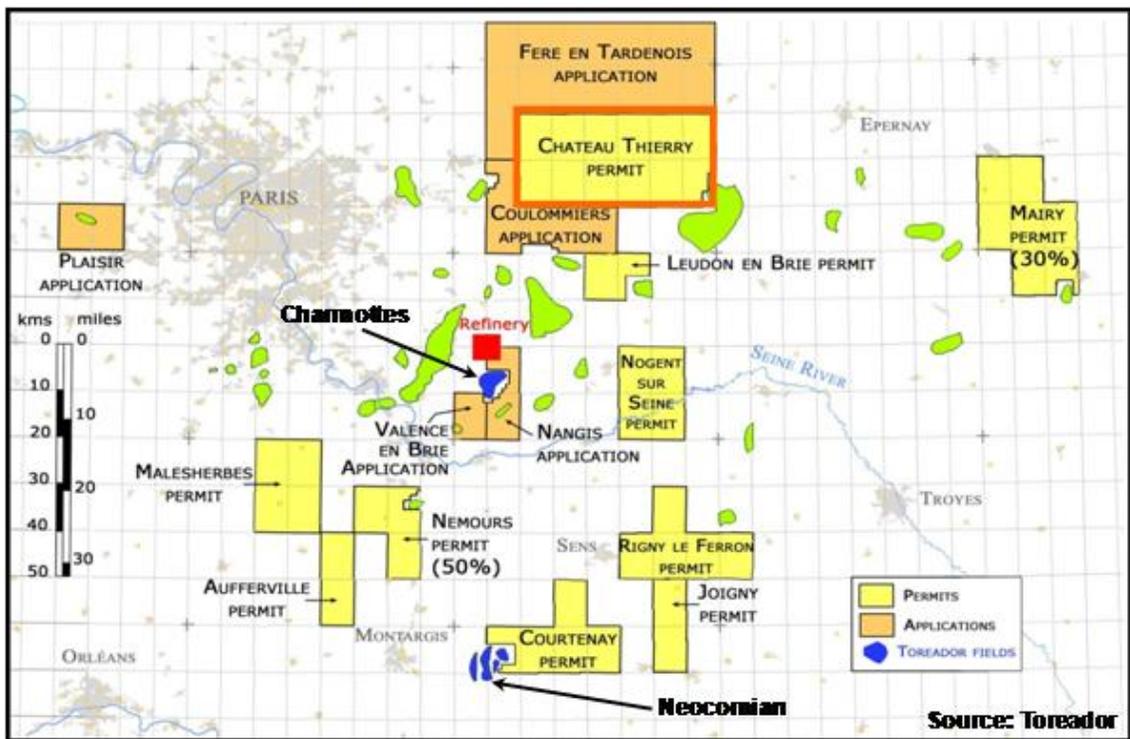
Industry standard abbreviations are contained in the attached Glossary in Appendix I, some or all of which have been used in this report.

The Proved, Proved plus Probable, and Proved plus Probable plus Possible Reserves are reported gross since Toreador is the 100% owner of the assets.

UNITED KINGDOM UNITED STATES SINGAPORE AUSTRALIA ARGENTINA UAE RUSSIA KAZAKHSTAN

FIGURE 0.1

LOCATION OF TOREADOR FIELDS



In preparation of this report, GCA has maintained, and continues to maintain, a strict consultant-client relationship with Toreador. The firm's management and employees have been, and continue to be, independent of Toreador in the services they provide, including the provision of the opinion expressed in this report and have no interest in any assets or share capital of Toreador, or

in the promotion of Toreador. GCA's remuneration was not in any way contingent on reported Reserves estimates.

This report must only be used for the purpose for which it was intended.

SUMMARY

The assets audited in the Paris Basin are all producing fields. On the basis of the technical and commercial information made available, GCA has conducted its audit as of 31st December, 2009, of the Proved, Proved plus Probable, and Proved plus Probable plus Possible Reserves for these fields. Fields under development, and exploration prospects associated with the fields and developments have not formed part of this audit.

The Toreador SEC Reserves at 31st December, 2009 are summarised in Table 0.1.

The Net Present Values (NPVs) for Proved, Proved plus Probable and Proved plus Probable plus Possible Reserves are presented in Table 0.2 and the relevant cash flows are shown in Appendix II.

The Reserves reported here are subject to an economic limit test (ELT). The Neocomian fields and Charmottes have been analysed as single units with each of the parts being considered within the whole. The aggregated production profiles are shown in Figures 0.2 to 0.5.

GCA also considered the effect of using the old methodology using the Brent oil price at the date of assessment. The Brent price at year end, 2009 was U.S.\$ 77.67/Bbl. This resulted in no changes to the Reserves shown in Table 0.1 but resulted in different NPV's as shown in Table 0.3. The relevant cash flows are presented in Appendix III.

The reported volumes are based on professional geological and engineering judgement, and are subject to future revisions, upward or downward, as a result of future operations or as new information becomes available.

It should be noted that the estimated production profiles for these fields are relatively long and the level of uncertainty over production and operational performance will increase with time.

TABLE 0.1

**SUMMARY OF GROSS RESERVES
AS AT 31st DECEMBER, 2009**

Field	Proved			Proved + Probable (MMBbl)	Proved + Probable + Possible (MMBbl)
	PDP (MMBbl)	PUD (MMBbl)	Total (MMBbl)		
Neocomian Complex	4.996	0.422	5.418	8.188	13.153
Charmottes Triassic	0.086	—	0.086	0.339	0.378
Charmottes Dogger	0.301	—	0.301	0.611	0.810
Total	5.383	0.422	5.805	9.138	14.340

Notes:

1. GCA's 1Q, 2010 Brent price scenario was used to establish the economic limit of each field.
2. Totals may not add up due to rounding.

TABLE 0.2

**SUMMARY OF DISCOUNTED POST TAX FUTURE NET CASH FLOWS
BASED ON NEW SEC RULE FOR OIL PRICE
FOR PROVED, PROVED PLUS PROBABLE AND
PROVED PLUS PROBABLE PLUS POSSIBLE RESERVES
AS AT 31st DECEMBER, 2009**

Field	NPV ₁₀ (U.S.\$ MM)		
	Proved	Proved + Probable	Proved + Probable + Possible
Neocomian Complex	12.03	20.09	33.27
Charmottes	4.17	6.91	7.80
Total	16.20	27.00	41.07

TABLE 0.3

**SUMMARY OF DISCOUNTED POST TAX FUTURE NET CASH FLOWS
BASED ON BRENT OIL PRICE OF U.S.\$77.67/BBL AT YEAR END 2009
FOR PROVED, PROVED PLUS PROBABLE AND
PROVED PLUS PROBABLE PLUS POSSIBLE RESERVES
AS AT 31st DECEMBER, 2009**

Field	NPV ₁₀ (U.S.\$ MM)		
	Proved	Proved + Probable	Proved + Probable + Possible
Neocomian Complex	33.56	46.25	66.43
Charmottes	6.61	10.65	11.93
Total	40.17	56.90	78.36

FIGURE 0.2
NEOCOMIAN PROVED PRODUCTION PROFILES

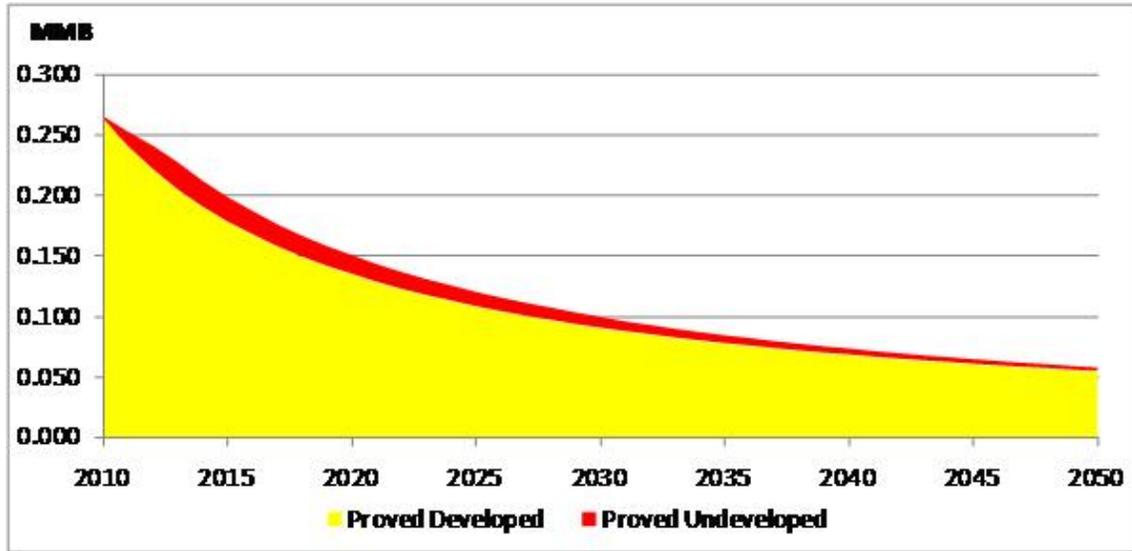


FIGURE 0.3

NEOCOMIAN PROVED PLUS POSSIBLE AND PROVED PLUS POSSIBLE PLUS PROBABLE PRODUCTION PROFILES

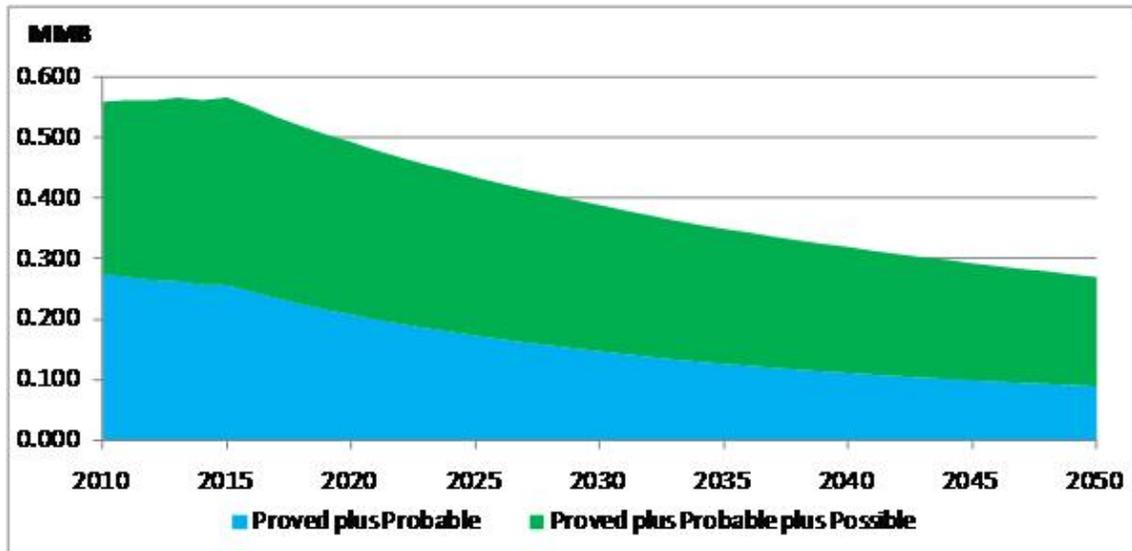


FIGURE 0.4
CHARMOTTES — TRIASSIC PRODUCTION PROFILES

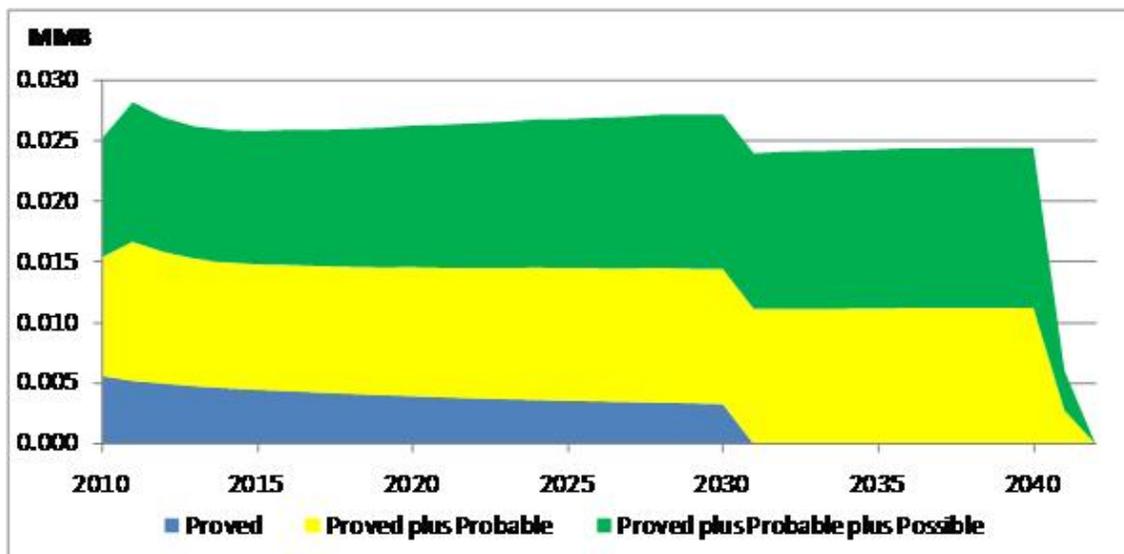
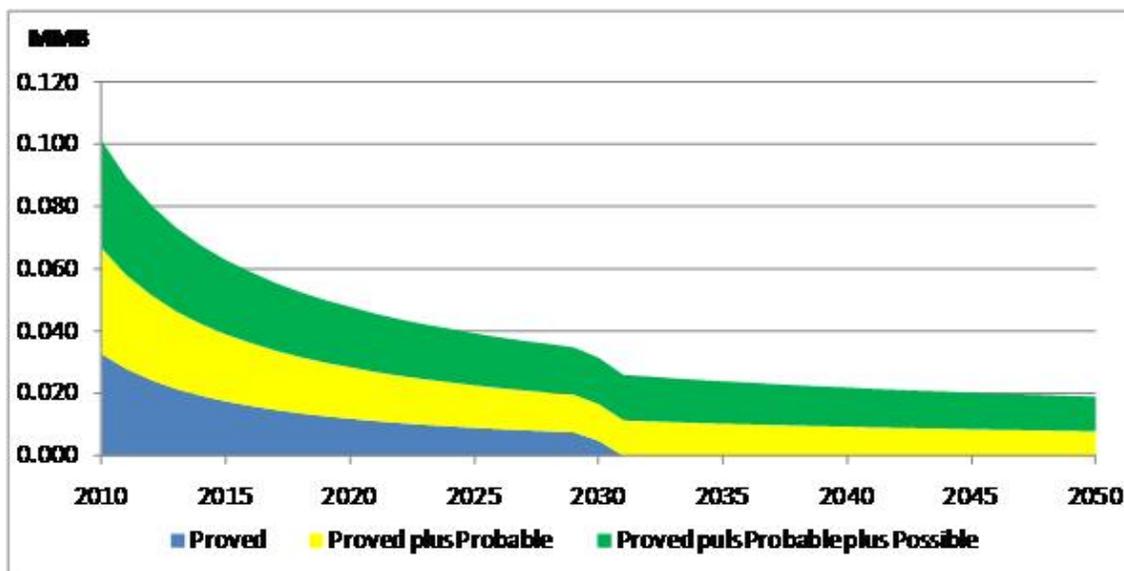


FIGURE 0.5

CHARMOTTES — DOGGER PRODUCTION PROFILES



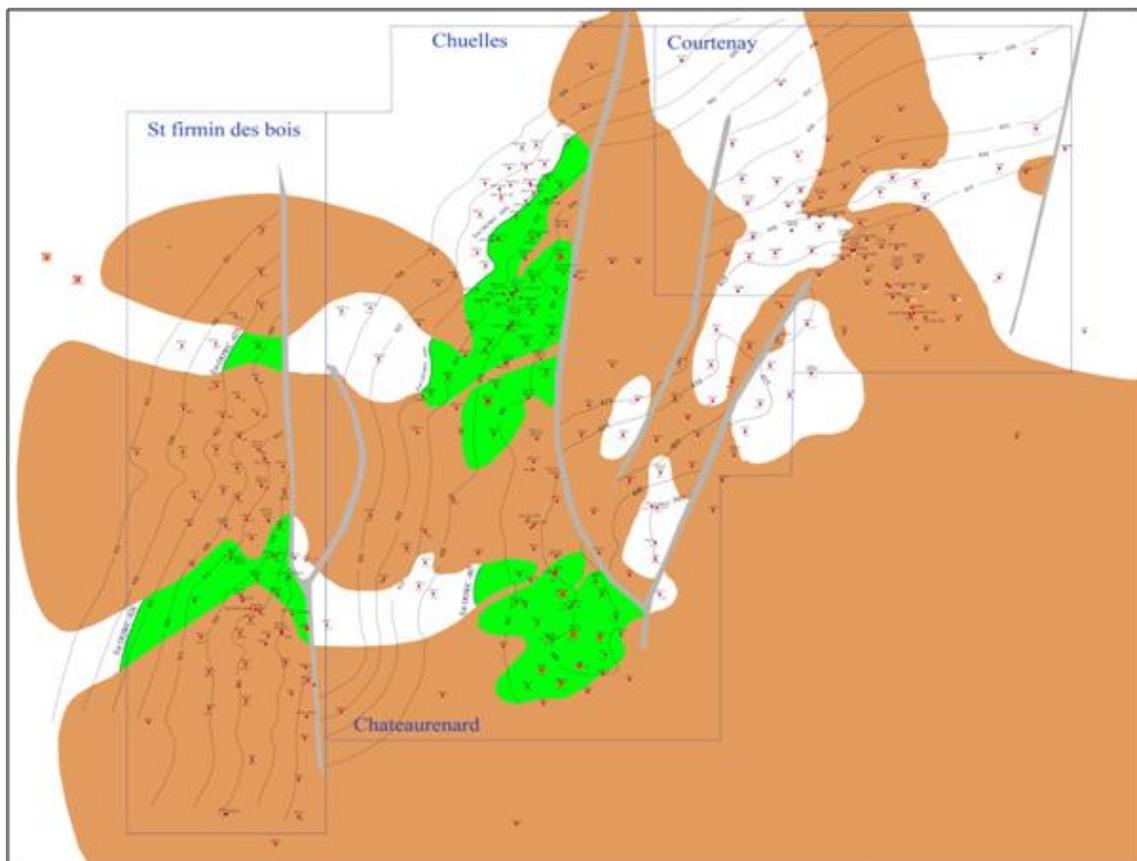
DISCUSSION

1. BACKGROUND

Toreador holds a 100% interest in Exploitation permits covering the Neocomian Complex, consisting of four oilfields, and the Charmottes fields producing oil in the Paris Basin, France. The location of the fields is shown in Figure 0.1 and Figure 1.1. Exploration prospects exist in the locality but these Prospective Resources are not included in this audit.

FIGURE 1.1

NEOCOMIAN FIELDS



The Exploitation permits that cover the Neocomian and Charmottes Fields expire in 2011 and 2013 respectively. These Exploitation permits can be normally be renewed for period of 25 years. Although the French government has no obligation to renew the exploitation permits, it is understood that renewals have always been granted as long as the operator demonstrates continued financial and technical capabilities. Toreador has already applied for a renewal for the Neocomian permit (December, 2008) extensions and will apply for a renewal of the Charmottes permit in 2010. GCA has accepted that the permit renewals will be granted and that the economic terms of the permits will not be altered on renewal.

1.1 Methodology and Data Availability

Reserves have been estimated using a variety of tools including the investigation of a range of decline curve analyses (DCA) and full field simulation models. All of the results obtained have been reviewed by senior GCA staff to ensure that the appropriate methodologies and approaches were used and that the results are sustainable.

Toreador provided GCA with a dataset that included production databases (OFM), and a dynamic reservoir model (Eclipse). These data were supported by some presentations and reports, and commercial and economic information on the individual fields and assets. During the audit Toreador provided GCA with additional information and material to clarify and substantiate its analysis.

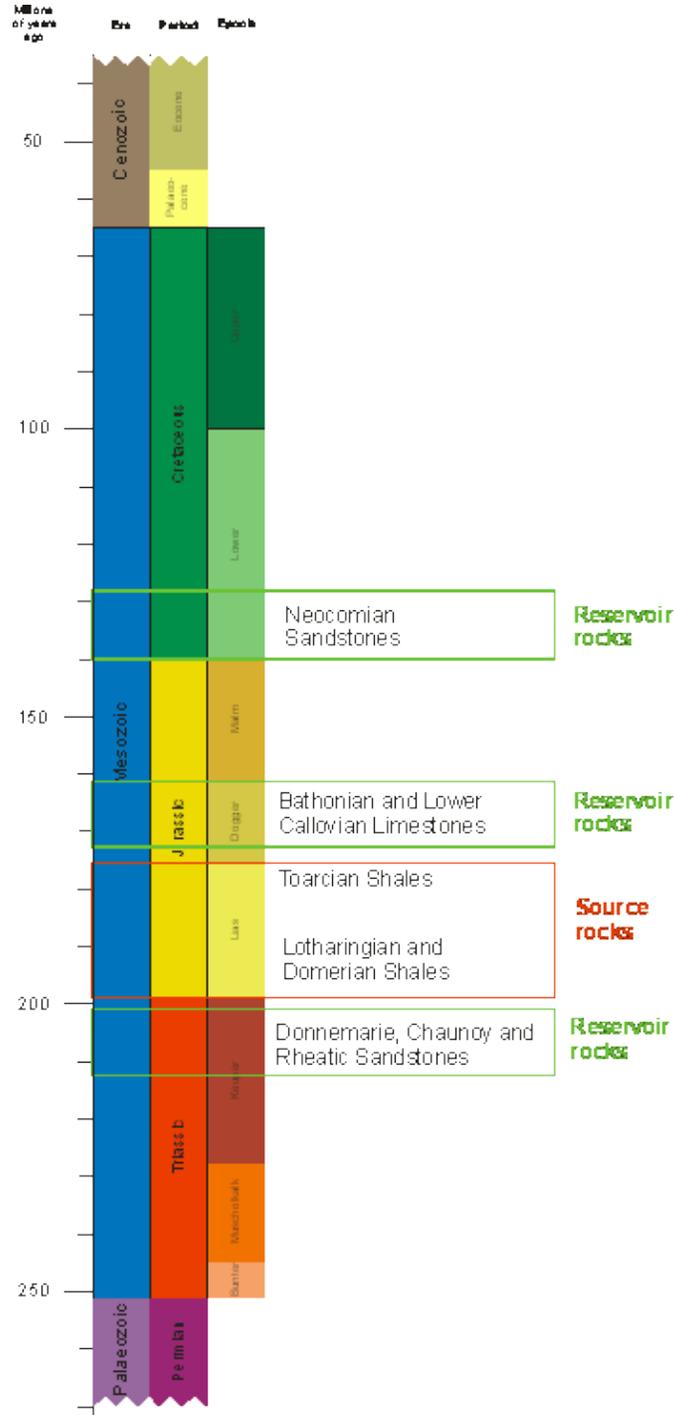
2. **GEOLOGICAL SETTING**

The Paris Basin is France's largest onshore sedimentary basin, and has been producing hydrocarbons from 1958 until present. This saucer shaped mature intracratonic basin has a maximum thickness of 3,000 m at its centre and lies on Y pattern basement fault system formed during the Variscan (Hercynian) orogeny. The basin first evolved due Permo-Triassic extension, which caused rifting and subsidence of the basin. This transgressional period saw the deposition of organic-rich black shales, known as the Liassic shales. These shales were overlain by the Dogger Carbonates, followed by the Malm limestone.

The Paris Basin emerged at the end of the Jurassic when tectonic subsidence ceased, giving way to uplift and erosion. During the Lower Cretaceous weak east-west compression arose due to the Austrian phase, continued sedimentation followed and the North-South faults were reactivated. In the Middle to Upper Cretaceous subsidence occurred causing the reactivation of the NW-SE Bray fault. This aided the maturation and expulsion of the hydrocarbons from the Liassic source rocks. Resulting from the depression the sea returned depositing the Upper Cretaceous chalk. By the end of the Cretaceous there were low rates of tectonic subsidence occurring, and a second phase of North-South compression caused by the Pyrenean orogeny followed in the early Eocene. This created new E-W faults, inverted the existing E-W faults, caused wrenching of the NW-SE and NE-SW faults, and some uplift and erosion of the borders of the basin. More recently the Alpine orogenic cycle has caused NW-SE compression and uplift which resulted in the Paris basin taking its current shape. A sedimentological column is shown in Figure 1.2.

FIGURE 1.2

PARIS BASIN — SEDIMENTOLOGICAL COLUMN



3. NEOCOMIAN FIELDS

The Neocomian Fields are very mature, and have undergone over 50 years of production. They consist of high porosity sandstone reservoirs, which were deposited at the end of the Cretaceous Period after substantial erosion had occurred. The sands have been proved to be of excellent reservoir quality, but are in channel systems and are very thin, and therefore it yields only small fields. The Main Source rock is the upper Liassic Toarcian marine shales, from which mature oil migrates to the Dogger carbonates before undergoing secondary migration to saturate the Neocomian sandstones during the Oligocene rift period.

This asset consists of five oil fields with three sandstone reservoirs. Approximately 32 MMBbl has been produced via a mature water

injection process involving over 350 wells and over 50 years of production. Current performance is around 800 bopd from approximately 80 wells with an average water-cut of 96%. A high quality OFM production database exists.

The reservoirs are shallow (approx 600 m), the produced oil is under saturated and viscous (40 cP), and the reservoirs are highly permeable. Toreador recently completed re-mapping the fields and reservoirs (R1, R2 and R3) which resulted in a more geologically reasonable interpretation. Field boundaries are now defined by faults and structural closures / OWC's. Toreador has not yet calculated STOIIP based on its new iso-pach maps, but the previous mapping resulted in a STOIIP of 104.7 MMBbl.

Toreador performed a reserves analysis using DCA with wells grouped into reservoirs and/or fields and used a technical production limit of 3 bopd per well and 99% water-cut.

GCA has reviewed Toreador's DCA analysis and has used the total field (i.e. all wells) analyses in order to estimate Reserves. Thus GCA uses the linear cumulative oil production versus oil cut (Figure 3.1) as the basis for the low case; an oil rate versus time hyperbolic curve for the mid case (Figure 3.2) and cumulative oil production versus log oil-cut (%) for the high case (Figure 3.3). Further GCA has assumed that Toreador accesses 4 of the proposed PUD opportunities in the low case and 8 of them in the mid and high cases.

GCA estimates Proved, Proved plus Probable, and Proved plus Probable plus Possible Reserves of 5.418 MMBbl, 8.188 MMBbl and 13.153 MMBbl respectively.

FIGURE 3.1

NEOCOMIAN - CUMULATIVE OIL PRODUCTION VS. OIL CUT %

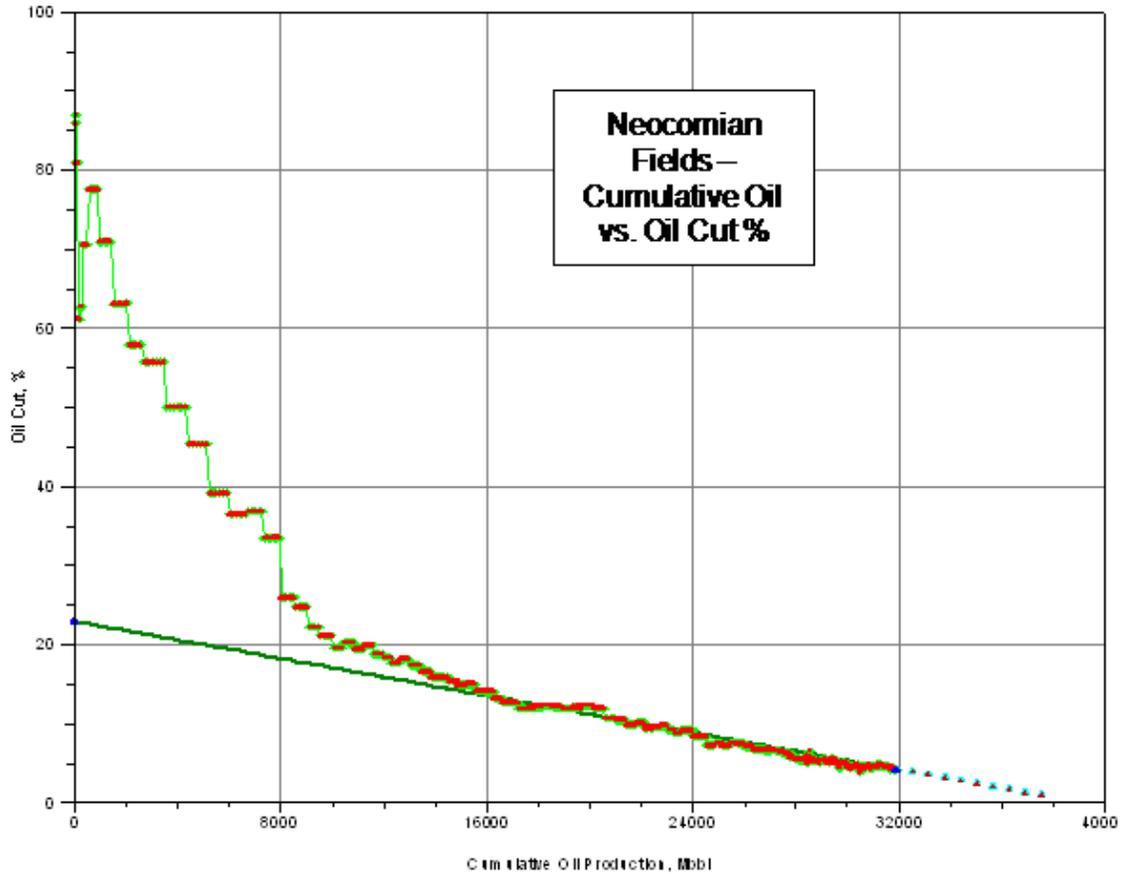
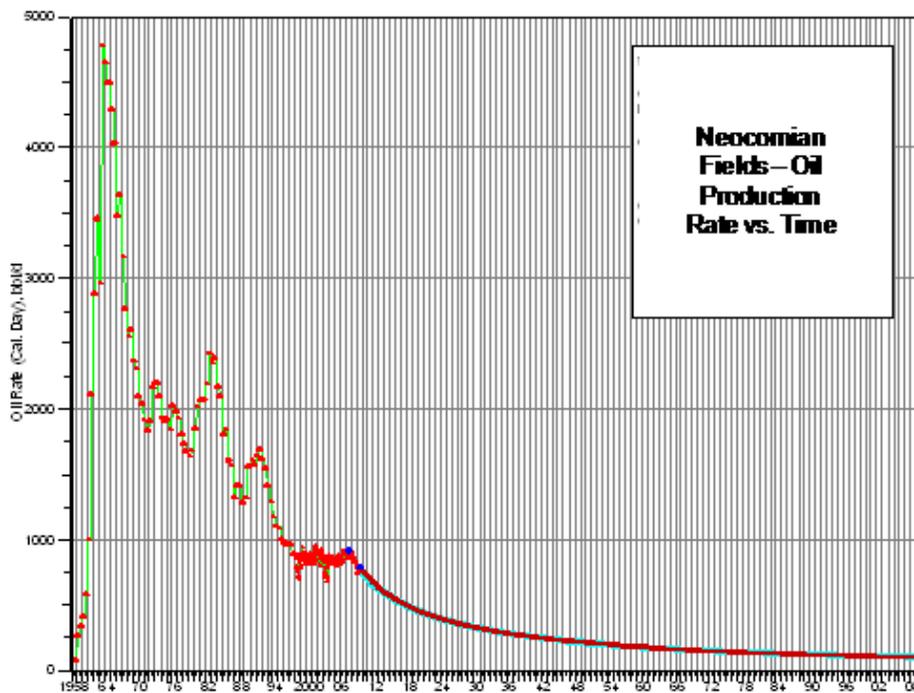


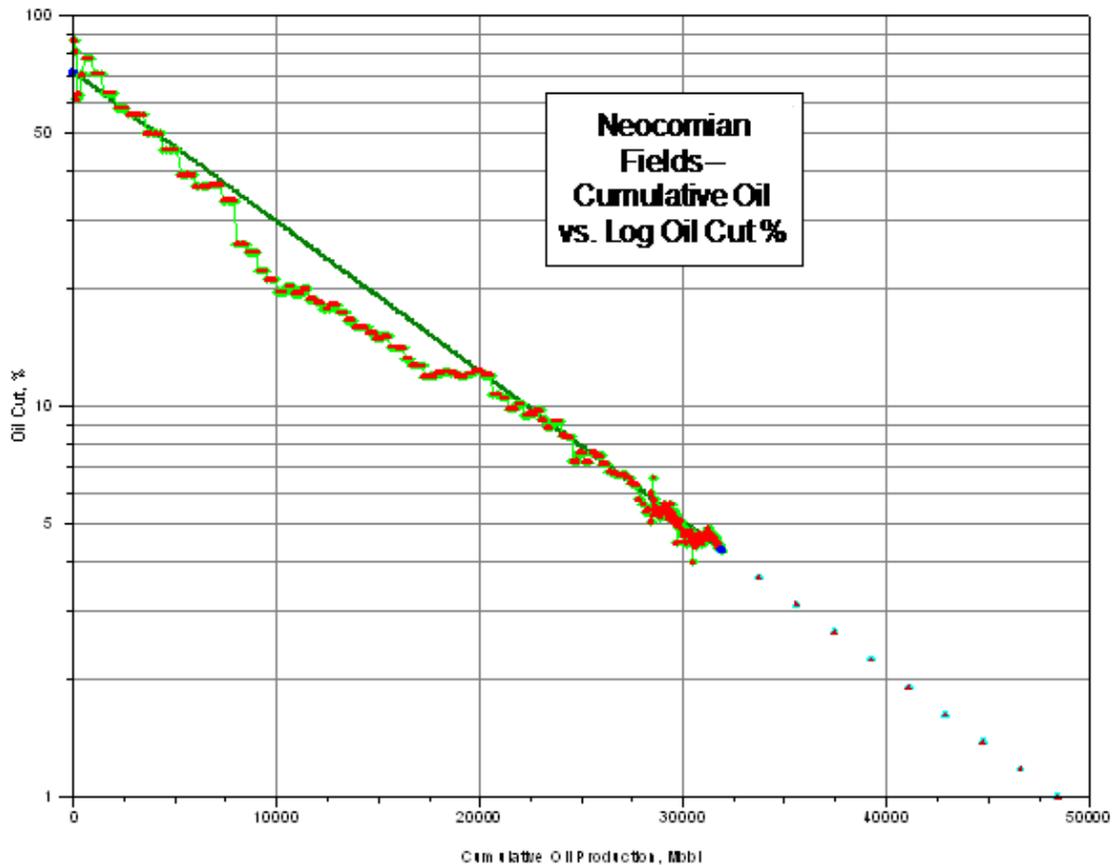
FIGURE 3.2

NEOCOMIAN - OIL RATE VS. TIME



12

FIGURE 3.3
NEOCOMIAN - CUMULATIVE PRODUCTION VS. OIL CUT %



4. CHARMOTTES FIELDS

4.1 Dogger

The Dogger carbonate reservoirs are subdivided into the Bathonian Limestone and the Lower Callovian Limestone. The older carbonate, the Bathonian Limestone consists of both low energy lagoonal and high energy oolitic shelf facies. The oolitic carbonate platform protected the lagoon from marine influences. The younger Callovian carbonate platform deposits cover the Bathonian deposits, and consist of mostly oolitic facies representing a more restricted lagoon carbonate deposits. The high energy environment results in the excellent reservoir properties.

The main source rock for the Dogger play is the Liassic Toarcian marine shales. This type II source rock is currently in the oil window in the centre of the basin and is the principal source rock for oils in the Paris Basin. Primary migration of the oil occurred along the faults and saturated the Dogger reservoir in the Eocene- Oligocene in the West of the basin, and during the Turonian-Maastrichtian in the East.

This carbonate reservoir is located at approx 1,700 m and is comprised of four layers with both matrix and fracture porosity/permeability. No pressure depletion is evident and the field's production mechanism is an imbibition process whereby the matrix reservoir charges fractures connected to wellbores. A well cycling programme was initiated recently with good results. There are approximately 6 production wells currently producing a total of ~100 bopd and historic oil and water production data are stored in an OFM database.

The oil is under saturated with a bubble point pressure of 12 bars (reservoir pressure of 180 bars) and has a viscosity of 3 cP. Toreador's current STOIP estimate is 5.6 MMBbl and the gross reservoir thickness is estimated to be 30 m. GCA has reviewed Toreador's in-place volumes and considers them to be reasonable.

GCA reviewed Toreador's analysis and used a DCA (hyperbolic curve) methodology for estimating reserves. GCA thus estimates Proved, Proved plus Probable, and Proved plus Probable plus Possible Reserves of 0.301 MMBbl, 0.611 MMBbl, 0.810 MMBbl respectively.

4.2 Triassic

The Triassic Keuper Sandstones have three sub-divisions. The first is the Donnemarie Sandstone, which consists of bioturbated clays and represents a coastal plain environment. The formation is 60 m thick, 20 m of which is sandstone. The second sub-set of the Keuper is the Chaunoy Sandstone, which is located west of the Paris basin and is part of a braided fluvial system. The last is the Rheatic, which consists of both continental and marine sandstones, both of which underlie shaley deposits forming productive traps. These reservoirs are sealed by 400 m thick Liassic shale.

The source rocks feeding these reservoirs are the Lower to Middle Liassic marine shales, known as the Lotharingian and the Domerian. Both were deposited in a calm marine environment and are micaceous, with the Domerian containing macro- and micro-fossils. For these Liassic source rocks, maturation and lateral migration occurred during the Upper Cretaceous period.

This deeper (approx 2,500 m) low permeability sandstone reservoir is producing approximately 20 bopd via solution gas drive. Reservoir pressure has declined from approximately 260 to 150 bars and potential exists to convert an existing non-producing well into a water injector. Preliminary Eclipse modelling indicates recovery of an incremental 0.3 MMBbl by converting well Ch-6 to water injection; however, this only results in a 15% recovery factor. Identification of an optimised water injection project would likely yield higher incremental recovery.

GCA reviewed the Eclipse model and performed some basic quality checks and then used the Eclipse model to run suitable cases for reserve estimation. The base case assumes that the current producer (CHL1) continues producing, whilst the mid-case assumes one (i.e. CHL2) well is sidetracked as a second producer and one well (CHL6) is converted to a water injector. Additionally, the high case assumes a higher water injection pressure. The resulting production profiles were used to determine the reserve estimates.

GCA estimates Proved, Proved plus Probable, and Proved plus Probable plus Possible Reserves of 0.086 MMBbl, 0.339 MMBbl and 0.378 MMBbl respectively.

5. CAPEX AND OPEX

Toreador's CAPEX and OPEX estimates for these fields were reviewed by GCA. GCA has added some additional CAPEX in later years for the Neocomian complex as it was believed that additional workovers and wells would be required in order meet the production profiles as given below:

- Ten workovers per year at a cost of U.S.\$40 M each;
- Two wells re-drilled every year, primarily to replace unserviceable wells, until 2023, and then one each year up to 2034 with an estimated cost of U.S.\$1.24 MM per well; and
- Some additional facilities in 2015 to 17, primarily to replace and/or improve water injection handling capabilities at a cost of U.S.\$15 MM.

GCA has also increased the variable OPEX for the Neocomian as it is believed that as the wells get older and the level of produced water increases during field life more maintenance etc will be required in order to keep the wells productive.

For the Charmottes fields GCA has assumed 1 workover (at a cost of U.S.\$40 M each) every two years and no additional re-drills.

6. ECONOMIC ANALYSIS

GCA has constructed a cash flow model to estimate the Economic Limit, Reserves and Net Present Values for the Charmottes and Neocomian fields.

In performing this assessment, the following economic, commercial and fiscal assumptions have been made:

The relevant elements of the fiscal regime in France is summarised in the table below:

France Fiscal Summary

Royalty/Tax	Annual Production (MTon)	Rate (Pre-1980 Wells)	Rate (Post-1980 Wells)
	0-50	8%	0%
Royalty	50-100	20%	6%
	100-300	30%	9%
	> 300	30%	12%
Local Tax		€15.39/ton	

- Oil Price: A flat Brent oil price of U.S.\$59.91/bbl, which represents the 12 month prior average for Brent crude based on the oil price on the first day of each of the 12 months, except in the case where year-end 2009 pricing was used. Adjustments to this price are made for each Field Group using the price differential to reflect the actual sales prices achievable due to crude quality differentials to Brent;
- Neocomian and Charmottes crude oil are priced at discounts of U.S.\$2.925/Bbl and U.S.\$2.30/Bbl respectively to Brent;
- CAPEX has been based on Toreador's Plan for the period 2010 to 2011 inclusive. In future years GCA has assumed additional CAPEX and OPEX as described in section 5;
- Operating cost is unescalated and based on information provided by Toreador;
- Exchange rate: A flat exchange rate of U.S.\$1.4:Euro 1, which represents the average exchange rate in 2009; and
- Cash flow summaries are shown in Appendix II.

QUALIFICATIONS

GCA is an independent international energy advisory group of almost 50 years' standing, whose expertise includes petroleum reservoir evaluation and economic analysis.

The report is based on information compiled by professional Associates of GCA.

15

BASIS OF OPINION

This assessment has been conducted within the context of GCA's understanding of the effects of petroleum legislation, taxation, and other regulations that currently apply to these properties. However, GCA is not in a position to attest to property title, financial interest relationships or encumbrances thereon for any part of the appraised properties.

Sincerely yours,
GAFFNEY, CLINE & ASSOCIATES

/s/ Brian Rhodes
Brian Rhodes

16

APPENDIX I

Glossary

List of Standard Oil Industry Terms and Abbreviations

ABEX	Abandonment Expenditure
ACQ	Annual Contract Quantity
°API	Degrees API (American Petroleum Institute)
AAPG	American Association of Petroleum Geologists
AVO	Amplitude versus Offset
A\$	Australian Dollars

B	Billion (10 ⁹)
Bbl	Barrels
/Bbl	per barrel
BBbl	Billion Barrels
BHA	Bottom Hole Assembly
BHC	Bottom Hole Compensated
Bscf or Bcf	Billion standard cubic feet
Bscfd or Bcfd	Billion standard cubic feet per day
Bm ³	Billion cubic metres
bcpd	Barrels of condensate per day
BHP	Bottom Hole Pressure
blpd	Barrels of liquid per day
bpd	Barrels per day
boe	Barrels of oil equivalent @ xxx mcf/bbl
boepd	Barrels of oil equivalent per day @ xxx mcf/bbl
BOP	Blow Out Preventer
bopd	Barrels of oil per day
BS&W	Bottom sediment and water
BTU	British Thermal Units
bwpd	Barrels of water per day
CBM	Coal Bed Methane
CO ₂	Carbon Dioxide
CAPEX	Capital Expenditure
CCGT	Combined Cycle Gas Turbine
cm	centimetres
CMM	Coal Mine Methane
CNG	Compressed Natural Gas
Cp	Centipoise (a measure of viscosity)
CSG	Coal Seam Gas
CT	Corporation Tax
DCQ	Daily Contract Quantity
Deg C	Degrees Celsius
Deg F	Degrees Fahrenheit
DHI	Direct Hydrocarbon Indicator
DST	Drill Stem Test
DWT	Dead-weight ton
E&A	Exploration & Appraisal
E&P	Exploration and Production
EBIT	Earnings before Interest and Tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EI	Entitlement Interest
EIA	Environmental Impact Assessment
EMV	Expected Monetary Value
EOR	Enhanced Oil Recovery
EUR	Estimated Ultimate Recovery
FDP	Field Development Plan

GLOSSARY (Cont'd.)

FEED	Front End Engineering and Design
FPSO	Floating Production, Storage and Offloading
FSO	Floating Storage and Offloading
ft	Foot/feet
Fx	Foreign Exchange Rate
g	gram
g/cc	grams per cubic centimetre
gal	gallon
gal/d	gallons per day
G&A	General and Administrative costs
GBP	Pounds Sterling
GDT	Gas Down to
GIIP	Gas initially in place
Gj	Gigajoules (one billion Joules)
GOR	Gas Oil Ratio
GTL	Gas to Liquids
GWC	Gas water contact
HDT	Hydrocarbons Down to

HSE	Health, Safety and Environment
HSFO	High Sulphur Fuel Oil
HUT	Hydrocarbons up to
H ₂ S	Hydrogen Sulphide
IOR	Improved Oil Recovery
IPP	Independent Power Producer
IRR	Internal Rate of Return
J	Joule (Metric measurement of energy. 1 kilojoule = 0.9478 BTU)
k	Permeability
KB	Kelly Bushing
KJ	Kilojoules (one Thousand Joules)
kl	Kilolitres
km	Kilometres
km ²	Square kilometres
kPa	Thousands of Pascals (measurement of pressure)
KW	Kilowatt
KWh	Kilowatt hour
LKG	Lowest Known Gas
LKH	Lowest Known Hydrocarbons
LKO	Lowest Known Oil
LNG	Liquefied Natural Gas
LoF	Life of Field
LPG	Liquefied Petroleum Gas
LTI	Lost Time Injury
LWD	Logging while drilling
m	Metres
M	Thousand
m ³	Cubic metres
Mcf or Mscf	Thousand standard cubic feet
MCM	Management Committee Meeting
MMcf or MMscf	Million standard cubic feet
m ³ d	Cubic metres per day
mD	Measure of Permeability in millidarcies
MD	Measured Depth

GLOSSARY (Cont'd.)

MDT	Modular Dynamic Tester
Mean	Arithmetic average of a set of numbers
Median	Middle value in a set of values
MFT	Multi Formation Tester
mg/l	milligrammes per litre
MJ	Megajoules (One Million Joules)
Mm ³	Thousand Cubic metres
Mm ³ d	Thousand Cubic metres per day
MM	Million
MMBbl	Millions of barrels
MMBTU	Millions of British Thermal Units
Mode	Value that exists most frequently in a set of values = most likely
Mscfd	Thousand standard cubic feet per day
MMscfd	Million standard cubic feet per day
MW	Megawatt
MWD	Measuring While Drilling
MWh	Megawatt hour
mya	Million years ago
NGL	Natural Gas Liquids
N ₂	Nitrogen
NPV	Net Present Value
OBM	Oil Based Mud
OCM	Operating Committee Meeting
ODT	Oil down to
OPEX	Operating Expenditure
OWC	Oil Water Contact
p.a.	Per annum
Pa	Pascals (metric measurement of pressure)
P&A	Plugged and Abandoned
PDP	Proved Developed Producing

PI	Productivity Index
PJ	Petajoules (10 ¹⁵ Joules)
PSDM	Post Stack Depth Migration
psi	Pounds per square inch
psia	Pounds per square inch absolute
psig	Pounds per square inch gauge
PUD	Proved Undeveloped
PVT	Pressure volume temperature
P10	10% Probability
P50	50% Probability
P90	90% Probability
Rf	Recovery factor
RFT	Repeat Formation Tester
RT	Rotary Table
R _w	Resistivity of water
SCAL	Special core analysis
cf or scf	Standard Cubic Feet
cf/d or scfd	Standard Cubic Feet per day
scf/ton	Standard cubic foot per ton
SL	Straight line (for depreciation)
s _o	Oil Saturation
SPE	Society of Petroleum Engineers

GLOSSARY (Cont'd.)

SPEE	Society of Petroleum Evaluation Engineers
ss	Subsea
stb	Stock tank barrel
STOIIP	Stock tank oil initially in place
s _w	Water Saturation
T	Tonnes
TD	Total Depth
Te	Tonnes equivalent
THP	Tubing Head Pressure
TJ	Terajoules (10 ¹² Joules)
Tscf or Tcf	Trillion standard cubic feet
TCM	Technical Committee Meeting
TOC	Total Organic Carbon
TOP	Take or Pay
Tpd	Tonnes per day
TVD	True Vertical Depth
TVD _{ss}	True Vertical Depth Subsea
USGS	United States Geological Survey
U.S.\$	United States Dollar
VSP	Vertical Seismic Profiling
WC	Water Cut
WI	Working Interest
WPC	World Petroleum Council
WTI	West Texas Intermediate
wt%	Weight percent
1H05	First half (6 months) of 2005 (example of date)
2Q06	Second quarter (3 months) of 2006 (example of date)
2D	Two dimensional
3D	Three dimensional
4D	Four dimensional
1P	Proved Reserves
2P	Proved plus Probable Reserves
3P	Proved plus Probable plus Possible Reserves
%	Percentage

APPENDIX II

ELT Profiles and Cash Flows for the Neocomian and Charmottes Fields



France
Gross Field (100%) Working Interest Cashflow Analysis
Unescalated Prices & Costs

Field: Neocomian
Case: 1P

Nominal Net Present Values
as at 01-Jan-10 (US\$ MM)

Disc Rate	Pre-Tax	Post-Tax
10.0%	23.39	12.03

Period Beginning	Developed		Undeveloped		Field Revenue US\$ MM	Royalty US\$ MM	Net Revenue US\$ MM	Capital Costs US\$ MM	Operating Costs US\$ MM	Pre Tax NCF US\$ MM	Corporate Tax US\$ MM	Post Tax NCF US\$ MM
	Production MMB	Price US\$/Bbl	Production MMB	Price US\$/Bbl								
Jan-10	0.263	56.99	0.002	56.99	15.11	1.38	13.73	3.30	4.29	6.14	3.04	3.10
Jan-11	0.240	56.99	0.012	56.99	14.38	1.30	13.08	3.30	4.16	5.63	2.75	2.87
Jan-12	0.222	56.99	0.019	56.99	13.73	1.23	12.49	2.60	4.03	5.86	2.51	3.35
Jan-13	0.205	56.99	0.023	56.99	12.95	1.16	11.79		3.89	7.90	2.33	5.57
Jan-14	0.190	56.99	0.021	56.99	12.07	1.09	10.99		3.73	7.26	2.11	5.15
Jan-15	0.178	56.99	0.020	56.99	11.31	1.02	10.28	7.48	5.69	-2.88	0.98	-3.86
Jan-16	0.168	56.99	0.019	56.99	10.65	0.97	9.69	7.48	5.44	-3.24	0.61	-3.85
Jan-17	0.158	56.99	0.018	56.99	10.02	0.91	9.11	7.48	5.21	-3.58	0.25	-3.82
Jan-18	0.149	56.99	0.017	56.99	9.48	0.87	8.62	2.48	5.01	1.13	0.07	1.06
Jan-19	0.142	56.99	0.016	56.99	8.99	0.82	8.17	2.48	4.83	0.86		0.86
Jan-20	0.135	56.99	0.015	56.99	8.57	0.79	7.78	2.48	4.67	0.64		0.64
Jan-21	0.128	56.99	0.015	56.99	8.15	0.75	7.40	2.48	4.51	0.41		0.41
Jan-22	0.123	56.99	0.014	56.99	7.78	0.72	7.06	2.48	4.37	0.21		0.21
Jan-23	0.117	56.99	0.013	56.99	7.44	0.69	6.75	2.48	4.25	0.02		0.02
Jan-24	0.113	56.99	0.012	56.99	7.14	0.66	6.48	1.24	4.14	1.10		1.10
Jan-25	0.108	56.99	0.012	56.99	6.84	0.64	6.20	1.24	4.02	0.94		0.94
Jan-26	0.104	56.99	0.011	56.99	6.57	0.61	5.96	1.24	3.92	0.79		0.79
Jan-27	0.100	56.99	0.011	56.99	6.32	0.59	5.73	1.24	3.83	0.66		0.66
Jan-28	0.097	56.99	0.010	56.99	6.10	0.57	5.53	1.24	3.75	0.54		0.54
Jan-29	0.093	56.99	0.009	56.99	5.87	0.55	5.32	1.24	3.66	0.41		0.41
Jan-30	0.090	56.99	0.009	56.99	5.66	0.53	5.13	1.24	3.59	0.30		0.30
Jan-31	0.088	56.99	0.008	56.99	5.44	0.51	4.93	1.24	3.50	0.18		0.18
Jan-32	0.085	56.99	0.008	56.99	5.28	0.50	4.78	1.24	3.44	0.10		0.10
Jan-33	0.082	56.99	0.007	56.99	5.10	0.48	4.61	1.24	3.38	-0.00		-0.00
Jan-34	0.080	56.99	0.007	56.99	4.94	0.47	4.47	1.24	3.32	-0.09		-0.09
Jan-35	0.078	56.99	0.006	56.99	4.79	0.46	4.34		3.26	1.07		1.07
Jan-36	0.076	56.99	0.006	56.99	4.66	0.44	4.22		3.21	1.00		1.00
Jan-37	0.074	56.99	0.006	56.99	4.52	0.43	4.09		3.16	0.93		0.93
Jan-38	0.072	56.99	0.005	56.99	4.39	0.42	3.97		3.11	0.86		0.86
Jan-39	0.070	56.99	0.005	56.99	4.27	0.41	3.86		3.07	0.79		0.79
Jan-40	0.068	56.99	0.005	56.99	4.17	0.40	3.77		3.03	0.74		0.74
Jan-41	0.066	56.99	0.005	56.99	4.05	0.39	3.66		2.99	0.67		0.67
Jan-42	0.065	56.99	0.004	56.99	3.95	0.38	3.57		2.95	0.62		0.62
Jan-43	0.063	56.99	0.004	56.99	3.85	0.37	3.48		2.91	0.57		0.57
Jan-44	0.062	56.99	0.004	56.99	3.76	0.36	3.40		2.88	0.52		0.52
Jan-45	0.061	56.99	0.004	56.99	3.67	0.35	3.31		2.84	0.47		0.47
Jan-46	0.059	56.99	0.004	56.99	3.58	0.35	3.23		2.81	0.42		0.42
Jan-47	0.058	56.99	0.003	56.99	3.50	0.34	3.16		2.78	0.38		0.38
Jan-48	0.057	56.99	0.003	56.99	3.43	0.33	3.10		2.76	0.34		0.34
Jan-49	0.056	56.99	0.003	56.99	3.35	0.33	3.02		2.72	0.30		0.30
Jan-50	0.055	56.99	0.003	56.99	3.27	0.32	2.95		2.70	0.26		0.26
Totals (2010-2050)	4.498	MMBbl	0.400	MMBbl	279.09	25.90	253.20	60.16	151.82	41.22	14.64	26.58
Totals (>2050):	0.498	MMBbl	0.022	MMBbl	29.63	2.90	26.73	—	25.82	0.91	0.06	0.85



France
Gross Field (100%) Working Interest Cashflow Analysis
Unescalated Prices & Costs

Field: Neocomian
Case: 2P

Nominal Net Present Values
as at 01-Jan-10 (US\$ MM)

Disc Rate	Pre-Tax	Post-Tax
10.0%	35.19	20.09

Period Beginning	Developed		Undeveloped		Field Revenue US\$ MM	Royalty US\$ MM	Net Revenue US\$ MM	Capital Costs US\$ MM	Operating Costs US\$ MM	Pre Tax NCF US\$ MM	Corporate Tax US\$ MM	Post Tax NCF US\$ MM
	Production MMB	Price US\$/Bbl	Production MMB	Price US\$/Bbl								
Jan-10	0.273	56.99	0.002	56.99	15.64	1.41	14.23	3.30	4.39	6.54	3.17	3.37
Jan-11	0.258	56.99	0.012	56.99	15.40	1.36	14.03	3.30	4.34	6.39	3.01	3.38
Jan-12	0.246	56.99	0.019	56.99	15.10	1.31	13.79	2.60	4.29	6.90	2.86	4.04
Jan-13	0.233	56.99	0.030	56.99	15.00	1.28	13.72	2.60	4.27	6.85	2.76	4.10
Jan-14	0.223	56.99	0.035	56.99	14.67	1.23	13.43	2.60	4.21	6.63	2.60	4.03
Jan-15	0.213	56.99	0.044	56.99	14.61	1.21	13.41	7.48	6.92	-0.99	1.43	-2.42
Jan-16	0.204	56.99	0.041	56.99	14.00	1.15	12.85	7.48	6.69	-1.32	1.07	-2.40

Jan-17	0.196	56.99	0.039	56.99	13.38	1.10	12.28	7.48	6.46	-1.66	0.71	-2.37
Jan-18	0.188	56.99	0.037	56.99	12.83	1.05	11.77	2.48	6.25	3.04	0.53	2.51
Jan-19	0.181	56.99	0.035	56.99	12.32	1.01	11.31	2.48	6.06	2.76	0.35	2.41
Jan-20	0.175	56.99	0.033	56.99	11.87	0.97	10.89	2.48	5.89	2.52	0.30	2.22
Jan-21	0.169	56.99	0.031	56.99	11.39	0.93	10.46	2.48	5.72	2.26	0.24	2.02
Jan-22	0.163	56.99	0.030	56.99	10.98	0.90	10.08	2.48	5.56	2.03	0.17	1.86
Jan-23	0.158	56.99	0.028	56.99	10.58	0.87	9.72	2.48	5.42	1.82	0.10	1.72
Jan-24	0.153	56.99	0.027	56.99	10.24	0.84	9.40	1.24	5.29	2.87	0.09	2.79
Jan-25	0.148	56.99	0.025	56.99	9.87	0.81	9.06	1.24	5.15	2.67	0.23	2.45
Jan-26	0.144	56.99	0.024	56.99	9.55	0.78	8.77	1.24	5.03	2.49	0.38	2.12
Jan-27	0.139	56.99	0.023	56.99	9.24	0.76	8.48	1.24	4.92	2.33	0.53	1.80
Jan-28	0.136	56.99	0.021	56.99	8.97	0.73	8.24	1.24	4.82	2.18	0.52	1.66
Jan-29	0.132	56.99	0.020	56.99	8.67	0.71	7.96	1.24	4.71	2.02	0.51	1.51
Jan-30	0.128	56.99	0.019	56.99	8.41	0.69	7.72	1.24	4.61	1.87	0.50	1.37
Jan-31	0.125	56.99	0.018	56.99	8.13	0.67	7.47	1.24	4.51	1.72	0.49	1.23
Jan-32	0.122	56.99	0.016	56.99	7.88	0.65	7.24	1.24	4.41	1.58	0.49	1.10
Jan-33	0.119	56.99	0.015	56.99	7.64	0.63	7.01	1.24	4.32	1.45	0.48	0.97
Jan-34	0.116	56.99	0.014	56.99	7.42	0.61	6.81	1.24	4.24	1.33	0.44	0.89
Jan-35	0.113	56.99	0.013	56.99	7.23	0.59	6.63		4.17	2.46	0.45	2.01
Jan-36	0.111	56.99	0.013	56.99	7.06	0.58	6.48		4.11	2.37	0.46	1.91
Jan-37	0.108	56.99	0.012	56.99	6.86	0.56	6.30		4.03	2.26	0.46	1.80
Jan-38	0.106	56.99	0.011	56.99	6.69	0.55	6.14		3.97	2.17	0.48	1.69
Jan-39	0.104	56.99	0.011	56.99	6.53	0.54	5.99		3.91	2.08	0.49	1.59
Jan-40	0.102	56.99	0.010	56.99	6.39	0.53	5.86		3.86	2.00	0.50	1.50
Jan-41	0.099	56.99	0.010	56.99	6.22	0.51	5.71		3.79	1.91	0.51	1.40
Jan-42	0.097	56.99	0.009	56.99	6.08	0.50	5.58		3.74	1.83	0.53	1.31
Jan-43	0.096	56.99	0.009	56.99	5.94	0.49	5.45		3.69	1.76	0.55	1.21
Jan-44	0.094	56.99	0.008	56.99	5.82	0.48	5.34		3.65	1.70	0.57	1.13
Jan-45	0.092	56.99	0.008	56.99	5.68	0.47	5.21		3.59	1.62	0.54	1.08
Jan-46	0.090	56.99	0.007	56.99	5.56	0.46	5.10		3.55	1.55	0.52	1.04
Jan-47	0.089	56.99	0.007	56.99	5.45	0.45	5.00		3.51	1.49	0.50	0.99
Jan-48	0.087	56.99	0.007	56.99	5.35	0.44	4.91		3.47	1.44	0.48	0.96
Jan-49	0.085	56.99	0.006	56.99	5.23	0.43	4.79		3.42	1.37	0.46	0.91
Jan-50	0.084	56.99	0.006	56.99	5.12	0.42	4.70		3.39	1.31	0.44	0.88
Totals (2010-2050)	5.900	MMBbl	0.786	MMBbl	380.98	31.68	349.30	65.36	188.31	95.63	31.87	63.75
Totals (>2050):	1.432	MMBbl	0.071	MMBbl	85.66	7.12	78.54	—	61.47	17.07	5.69	11.38



France
Gross Field (100%) Working Interest Cashflow Analysis
Unescalated Prices & Costs

Field: Neocomian
Case: 3P

Nominal Net Present Values as at 01-Jan-10 (US\$ MM)		
Disc Rate	Pre-Tax	Post-Tax
10.0%	54.97	33.27

Period Beginning	Developed		Undeveloped		Field		Net		Capital	Operating	Pre Tax	Corporate	Post Tax
	Production MMB	Price US\$/Bbl	Production MMB	Price US\$/Bbl	Revenue US\$ MM	Royalty US\$ MM	Revenue US\$ MM	Costs US\$ MM	Costs US\$ MM	NCF US\$ MM	Tax US\$ MM	NCF US\$ MM	
Jan-10	0.283	56.99	0.002	56.99	16.24	1.50	14.73	3.30	4.50	6.93	3.30	3.63	
Jan-11	0.280	56.99	0.012	56.99	16.62	1.52	15.11	3.30	4.57	7.24	3.29	3.94	
Jan-12	0.277	56.99	0.019	56.99	16.89	1.52	15.36	2.60	4.62	8.14	3.27	4.87	
Jan-13	0.273	56.99	0.030	56.99	17.26	1.53	15.73	2.60	4.69	8.44	3.29	5.15	
Jan-14	0.270	56.99	0.035	56.99	17.35	1.53	15.83	2.60	4.71	8.52	3.23	5.29	
Jan-15	0.267	56.99	0.044	56.99	17.67	1.53	16.13	7.48	8.05	0.60	1.96	-1.36	
Jan-16	0.264	56.99	0.041	56.99	17.39	1.51	15.88	7.48	7.95	0.45	1.66	-1.21	
Jan-17	0.260	56.99	0.039	56.99	17.05	1.48	15.56	7.48	7.82	0.26	1.35	-1.09	
Jan-18	0.257	56.99	0.037	56.99	16.75	1.46	15.29	2.48	7.71	5.10	1.22	3.88	
Jan-19	0.254	56.99	0.035	56.99	16.46	1.44	15.03	2.48	7.61	4.94	1.08	3.86	
Jan-20	0.252	56.99	0.033	56.99	16.22	1.42	14.81	2.48	7.52	4.81	1.06	3.75	
Jan-21	0.248	56.99	0.031	56.99	15.91	1.39	14.52	2.48	7.40	4.64	1.04	3.61	
Jan-22	0.245	56.99	0.030	56.99	15.65	1.37	14.28	2.48	7.30	4.50	0.99	3.51	
Jan-23	0.242	56.99	0.028	56.99	15.39	1.35	14.04	2.48	7.21	4.36	0.95	3.41	
Jan-24	0.240	56.99	0.027	56.99	15.18	1.33	13.85	1.24	7.13	5.48	0.95	4.53	
Jan-25	0.236	56.99	0.025	56.99	14.90	1.31	13.59	1.24	7.02	5.33	1.11	4.22	
Jan-26	0.233	56.99	0.024	56.99	14.66	1.29	13.37	1.24	6.93	5.20	1.28	3.92	
Jan-27	0.230	56.99	0.023	56.99	14.43	1.27	13.16	1.24	6.85	5.07	1.44	3.63	
Jan-28	0.228	56.99	0.021	56.99	14.23	1.25	12.98	1.24	6.78	4.97	1.45	3.52	
Jan-29	0.225	56.99	0.020	56.99	13.98	1.23	12.75	1.24	6.68	4.83	1.44	3.39	
Jan-30	0.222	56.99	0.019	56.99	13.76	1.21	12.55	1.24	6.60	4.71	1.45	3.26	
Jan-31	0.220	56.99	0.018	56.99	13.52	1.19	12.33	1.24	6.51	4.58	1.44	3.14	
Jan-32	0.218	56.99	0.016	56.99	13.31	1.17	12.14	1.24	6.43	4.47	1.45	3.02	
Jan-33	0.214	56.99	0.015	56.99	13.08	1.15	11.92	1.24	6.34	4.34	1.45	2.89	
Jan-34	0.212	56.99	0.014	56.99	12.88	1.13	11.74	1.24	6.27	4.23	1.41	2.82	
Jan-35	0.209	56.99	0.013	56.99	12.69	1.12	11.57		6.20	5.37	1.42	3.95	
Jan-36	0.207	56.99	0.013	56.99	12.54	1.10	11.43		6.14	5.29	1.43	3.86	
Jan-37	0.204	56.99	0.012	56.99	12.32	1.09	11.24		6.06	5.17	1.44	3.74	
Jan-38	0.202	56.99	0.011	56.99	12.15	1.07	11.08		6.00	5.08	1.44	3.63	
Jan-39	0.199	56.99	0.011	56.99	11.98	1.05	10.92		5.94	4.99	1.46	3.53	

Jan-40	0.197	56.99	0.010	56.99	11.84	1.04	10.80	5.88	4.91	1.47	3.44	
Jan-41	0.195	56.99	0.010	56.99	11.64	1.02	10.62	5.81	4.81	1.48	3.33	
Jan-42	0.192	56.99	0.009	56.99	11.48	1.01	10.47	5.75	4.72	1.49	3.23	
Jan-43	0.190	56.99	0.009	56.99	11.32	0.99	10.32	5.69	4.63	1.50	3.13	
Jan-44	0.188	56.99	0.008	56.99	11.19	0.98	10.21	5.64	4.56	1.52	3.04	
Jan-45	0.185	56.99	0.008	56.99	11.01	0.97	10.04	5.58	4.47	1.49	2.98	
Jan-46	0.183	56.99	0.007	56.99	10.86	0.95	9.91	5.52	4.39	1.46	2.92	
Jan-47	0.181	56.99	0.007	56.99	10.71	0.94	9.77	5.46	4.31	1.44	2.87	
Jan-48	0.179	56.99	0.007	56.99	10.59	0.93	9.66	5.42	4.24	1.41	2.83	
Jan-49	0.177	56.99	0.006	56.99	10.42	0.91	9.51	5.36	4.15	1.38	2.77	
Jan-50	0.174	56.99	0.006	56.99	10.28	0.90	9.38	5.31	4.08	1.36	2.72	
Totals (2010-2050)	9.213	MMBbl	0.786	MMBbl	569.79	50.16	519.63	65.36	256.97	197.30	65.76	131.54
Totals (>2050):	3.083	MMBbl	0.071	MMBbl	179.73	13.12	166.60	—	96.46	70.14	23.38	46.76



France
Gross Field (100%) Working Interest Cashflow Analysis
Unescalated Prices & Costs

Field: Charmottes
Case: 1P

Nominal Net Present Values
as at 01-Jan-10 (US\$ MM)

Disc Rate	Pre-Tax	Post-Tax
10.0%	6.25	4.17

Period	Triassic		Dogger		Field Revenue US\$ MM	Royalty US\$ MM	Net Revenue US\$ MM	Capital Costs US\$ MM	Operating Costs US\$ MM	Pre Tax NCF US\$ MM	Corporate Tax US\$ MM	Post Tax NCF US\$ MM
	Production MMB	Price US\$/Bbl	Production MMB	Price US\$/Bbl								
Beginning												
Jan-10	0.006	57.61	0.033	57.61	2.21	0.12	2.10		0.76	1.33	0.44	0.89
Jan-11	0.005	57.61	0.028	57.61	1.91	0.10	1.81		0.72	1.09	0.36	0.72
Jan-12	0.005	57.61	0.024	57.61	1.69	0.09	1.60		0.63	0.97	0.32	0.65
Jan-13	0.005	57.61	0.022	57.61	1.52	0.08	1.44		0.62	0.81	0.27	0.54
Jan-14	0.005	57.61	0.019	57.61	1.38	0.07	1.31		0.55	0.76	0.25	0.51
Jan-15	0.004	57.61	0.018	57.61	1.27	0.07	1.20		0.56	0.64	0.21	0.43
Jan-16	0.004	57.61	0.016	57.61	1.18	0.06	1.12		0.50	0.62	0.21	0.41
Jan-17	0.004	57.61	0.015	57.61	1.10	0.06	1.04		0.52	0.52	0.17	0.35
Jan-18	0.004	57.61	0.014	57.61	1.03	0.05	0.98		0.46	0.51	0.17	0.34
Jan-19	0.004	57.61	0.013	57.61	0.97	0.05	0.92		0.49	0.43	0.14	0.29
Jan-20	0.004	57.61	0.012	57.61	0.92	0.05	0.87		0.43	0.44	0.15	0.29
Jan-21	0.004	57.61	0.011	57.61	0.87	0.05	0.83		0.46	0.37	0.12	0.24
Jan-22	0.004	57.61	0.011	57.61	0.83	0.04	0.79		0.41	0.38	0.13	0.25
Jan-23	0.004	57.61	0.010	57.61	0.79	0.04	0.75		0.44	0.31	0.10	0.21
Jan-24	0.004	57.61	0.010	57.61	0.76	0.04	0.72		0.39	0.33	0.11	0.22
Jan-25	0.004	57.61	0.009	57.61	0.73	0.04	0.69		0.43	0.27	0.09	0.18
Jan-26	0.004	57.61	0.009	57.61	0.70	0.04	0.67		0.38	0.29	0.10	0.19
Jan-27	0.003	57.61	0.008	57.61	0.68	0.04	0.64		0.41	0.23	0.08	0.15
Jan-28	0.003	57.61	0.008	57.61	0.66	0.03	0.62		0.37	0.26	0.09	0.17
Jan-29	0.003	57.61	0.008	57.61	0.63	0.03	0.60		0.40	0.20	0.07	0.13
Jan-30	0.003	57.61	0.005	57.61	0.47	0.02	0.45		0.32	0.13	0.04	0.09
Totals (2010-2050)	0.086	MMBbl	0.301	MMBbl	22.32	1.18	21.14	—	10.26	10.89	3.63	7.26
Totals (>2050):	—	MMBbl	—	MMBbl	—	—	—	—	—	—	—	—



France
Gross Field (100%) Working Interest Cashflow Analysis
Unescalated Prices & Costs

Field: Charmottes
Case: 2P

Nominal Net Present Values
as at 01-Jan-10 (US\$ MM)

Disc Rate	Pre-Tax	Post-Tax
10.0%	10.36	6.91

Period	Triassic		Dogger		Field Revenue US\$ MM	Royalty US\$ MM	Net Revenue US\$ MM	Capital Costs US\$ MM	Operating Costs US\$ MM	Pre Tax NCF US\$ MM	Corporate Tax US\$ MM	Post Tax NCF US\$ MM
	Production MMB	Price US\$/Bbl	Production MMB	Price US\$/Bbl								
Beginning												
Jan-10	0.010	57.61	0.034	57.61	2.52	0.13	2.38		0.84	1.55	0.52	1.03
Jan-11	0.011	57.61	0.030	57.61	2.39	0.13	2.26		0.85	1.42	0.47	0.95
Jan-12	0.011	57.61	0.027	57.61	2.19	0.12	2.08		0.76	1.32	0.44	0.88
Jan-13	0.010	57.61	0.025	57.61	2.03	0.11	1.93		0.76	1.17	0.39	0.78
Jan-14	0.010	57.61	0.023	57.61	1.92	0.10	1.82		0.69	1.13	0.38	0.75
Jan-15	0.010	57.61	0.021	57.61	1.83	0.10	1.73		0.70	1.03	0.34	0.69
Jan-16	0.010	57.61	0.020	57.61	1.76	0.09	1.67		0.65	1.02	0.34	0.68
Jan-17	0.010	57.61	0.019	57.61	1.69	0.09	1.60		0.67	0.93	0.31	0.62

Jan-18	0.010	57.61	0.018	57.61	1.64	0.09	1.55	0.62	0.94	0.31	0.62
Jan-19	0.011	57.61	0.017	57.61	1.59	0.08	1.51	0.64	0.86	0.29	0.58
Jan-20	0.011	57.61	0.016	57.61	1.56	0.08	1.47	0.59	0.88	0.29	0.59
Jan-21	0.011	57.61	0.016	57.61	1.52	0.08	1.44	0.62	0.81	0.27	0.54
Jan-22	0.011	57.61	0.015	57.61	1.48	0.08	1.41	0.58	0.83	0.28	0.55
Jan-23	0.011	57.61	0.014	57.61	1.46	0.08	1.38	0.61	0.77	0.26	0.51
Jan-24	0.011	57.61	0.014	57.61	1.43	0.08	1.36	0.56	0.80	0.27	0.53
Jan-25	0.011	57.61	0.014	57.61	1.41	0.07	1.33	0.60	0.74	0.25	0.49
Jan-26	0.011	57.61	0.013	57.61	1.38	0.07	1.31	0.55	0.76	0.25	0.51
Jan-27	0.011	57.61	0.013	57.61	1.36	0.07	1.29	0.59	0.71	0.24	0.47
Jan-28	0.011	57.61	0.012	57.61	1.35	0.07	1.28	0.54	0.74	0.25	0.49
Jan-29	0.011	57.61	0.012	57.61	1.33	0.07	1.26	0.58	0.68	0.23	0.45
Jan-30	0.011	57.61	0.012	57.61	1.31	0.07	1.24	0.53	0.71	0.24	0.47
Jan-31	0.011	57.61	0.011	57.61	1.29	0.07	1.23	0.57	0.66	0.22	0.44
Jan-32	0.011	57.61	0.011	57.61	1.28	0.07	1.21	0.52	0.69	0.23	0.46
Jan-33	0.011	57.61	0.011	57.61	1.26	0.07	1.20	0.56	0.64	0.21	0.42
Jan-34	0.011	57.61	0.011	57.61	1.25	0.07	1.18	0.52	0.67	0.22	0.45
Jan-35	0.011	57.61	0.010	57.61	1.24	0.07	1.17	0.55	0.62	0.21	0.41
Jan-36	0.011	57.61	0.010	57.61	1.23	0.06	1.16	0.51	0.65	0.22	0.44
Jan-37	0.011	57.61	0.010	57.61	1.21	0.06	1.15	0.55	0.60	0.20	0.40
Jan-38	0.011	57.61	0.010	57.61	1.20	0.06	1.14	0.50	0.64	0.21	0.42
Jan-39	0.011	57.61	0.009	57.61	1.19	0.06	1.13	0.54	0.59	0.20	0.39
Jan-40	0.011	57.61	0.009	57.61	1.19	0.06	1.12	0.50	0.62	0.21	0.41
Jan-41	0.003	57.61	0.009	57.61	0.69	0.04	0.65	0.41	0.24	0.08	0.16
Jan-42		57.61	0.009	57.61	0.52	0.03	0.49	0.33	0.16	0.05	0.11
Jan-43		57.61	0.009	57.61	0.51	0.03	0.48	0.37	0.11	0.04	0.08
Jan-44		57.61	0.009	57.61	0.50	0.03	0.47	0.33	0.15	0.05	0.10
Jan-45		57.61	0.009	57.61	0.49	0.03	0.47	0.36	0.10	0.03	0.07
Jan-46		57.61	0.008	57.61	0.48	0.03	0.46	0.32	0.14	0.05	0.09
Jan-47		57.61	0.008	57.61	0.48	0.03	0.45	0.36	0.09	0.03	0.06
Jan-48		57.61	0.008	57.61	0.47	0.02	0.44	0.32	0.13	0.04	0.08
Jan-49		57.61	0.008	57.61	0.46	0.02	0.44	0.36	0.08	0.03	0.05
Jan-50		57.61	0.008	57.61	0.45	0.02	0.43	0.32	0.11	0.04	0.08

Totals (2010-2050)	<u>0.339</u>	MMBbl	<u>0.573</u>	MMBbl	<u>52.55</u>	<u>2.77</u>	<u>49.78</u>	—	<u>22.32</u>	<u>27.47</u>	<u>9.15</u>	<u>18.31</u>
Totals (>2050):	—	MMBbl	<u>0.038</u>	MMBbl	<u>2.18</u>	<u>0.11</u>	<u>2.06</u>	—	<u>1.67</u>	<u>0.39</u>	<u>0.13</u>	<u>0.26</u>



France
Gross Field (100%) Working Interest Cashflow Analysis
Unescalated Prices & Costs

Nominal Net Present Values
as at 01-Jan-10 (US\$ MM)

Field: Charmottes
Case: 3P

Disc Rate	Pre-Tax	Post-Tax
10.0%	11.69	7.80

Period Beginning	Triassic		Dogger		Field Revenue US\$ MM	Royalty US\$ MM	Net Revenue US\$ MM	Capital Costs US\$ MM	Operating Costs US\$ MM	Pre Tax NCF US\$ MM	Corporate Tax US\$ MM	Post Tax NCF US\$ MM
	Production MMB	Price US\$/Bbl	Production MMB	Price US\$/Bbl								
Jan-10	0.010	57.61	0.035	57.61	2.55	0.13	2.42		0.85	1.57	0.52	1.05
Jan-11	0.011	57.61	0.031	57.61	2.47	0.13	2.34		0.87	1.47	0.49	0.98
Jan-12	0.011	57.61	0.029	57.61	2.30	0.12	2.18		0.78	1.40	0.47	0.93
Jan-13	0.011	57.61	0.027	57.61	2.17	0.11	2.06		0.79	1.27	0.42	0.85
Jan-14	0.011	57.61	0.025	57.61	2.08	0.11	1.97		0.73	1.24	0.41	0.83
Jan-15	0.011	57.61	0.024	57.61	2.01	0.11	1.90		0.75	1.15	0.38	0.77
Jan-16	0.011	57.61	0.023	57.61	1.95	0.10	1.85		0.70	1.16	0.39	0.77
Jan-17	0.011	57.61	0.022	57.61	1.90	0.10	1.80		0.72	1.08	0.36	0.72
Jan-18	0.011	57.61	0.021	57.61	1.85	0.10	1.76		0.67	1.09	0.36	0.72
Jan-19	0.011	57.61	0.020	57.61	1.82	0.10	1.72		0.70	1.02	0.34	0.68
Jan-20	0.012	57.61	0.019	57.61	1.79	0.09	1.70		0.65	1.04	0.35	0.69
Jan-21	0.012	57.61	0.019	57.61	1.76	0.09	1.66		0.69	0.98	0.33	0.65
Jan-22	0.012	57.61	0.018	57.61	1.73	0.09	1.64		0.64	1.00	0.33	0.67
Jan-23	0.012	57.61	0.018	57.61	1.71	0.09	1.62		0.67	0.95	0.32	0.63
Jan-24	0.012	57.61	0.017	57.61	1.69	0.09	1.60		0.63	0.97	0.32	0.65
Jan-25	0.012	57.61	0.017	57.61	1.67	0.09	1.58		0.66	0.92	0.31	0.61
Jan-26	0.012	57.61	0.016	57.61	1.65	0.09	1.56		0.62	0.95	0.32	0.63
Jan-27	0.012	57.61	0.016	57.61	1.64	0.09	1.55		0.65	0.89	0.30	0.60
Jan-28	0.013	57.61	0.016	57.61	1.63	0.09	1.54		0.61	0.93	0.31	0.62
Jan-29	0.013	57.61	0.015	57.61	1.61	0.08	1.52		0.65	0.87	0.29	0.58
Jan-30	0.013	57.61	0.015	57.61	1.59	0.08	1.51		0.60	0.91	0.30	0.60
Jan-31	0.013	57.61	0.015	57.61	1.58	0.08	1.50		0.64	0.86	0.29	0.57
Jan-32	0.013	57.61	0.014	57.61	1.57	0.08	1.49		0.60	0.89	0.30	0.59
Jan-33	0.013	57.61	0.014	57.61	1.56	0.08	1.48		0.63	0.84	0.28	0.56
Jan-34	0.013	57.61	0.014	57.61	1.55	0.08	1.47		0.59	0.87	0.29	0.58
Jan-35	0.013	57.61	0.014	57.61	1.54	0.08	1.46		0.63	0.83	0.28	0.55
Jan-36	0.013	57.61	0.013	57.61	1.53	0.08	1.45		0.59	0.86	0.29	0.57
Jan-37	0.013	57.61	0.013	57.61	1.52	0.08	1.44		0.62	0.81	0.27	0.54
Jan-38	0.013	57.61	0.013	57.61	1.50	0.08	1.43		0.58	0.84	0.28	0.56
Jan-39	0.013	57.61	0.013	57.61	1.49	0.08	1.41		0.62	0.80	0.27	0.53
Jan-40	0.013	57.61	0.013	57.61	1.48	0.08	1.41		0.58	0.83	0.28	0.55

Jan-41	0.003	57.61	0.012	57.61	0.90	0.05	0.85	0.47	0.39	0.13	0.26
Jan-42		57.61	0.012	57.61	0.70	0.04	0.67	0.38	0.29	0.10	0.19
Jan-43		57.61	0.012	57.61	0.70	0.04	0.66	0.42	0.24	0.08	0.16
Jan-44		57.61	0.012	57.61	0.69	0.04	0.65	0.37	0.28	0.09	0.18
Jan-45		57.61	0.012	57.61	0.68	0.04	0.64	0.41	0.23	0.08	0.15
Jan-46		57.61	0.012	57.61	0.67	0.04	0.63	0.37	0.26	0.09	0.18
Jan-47		57.61	0.011	57.61	0.66	0.03	0.63	0.41	0.22	0.07	0.15
Jan-48		57.61	0.011	57.61	0.65	0.03	0.62	0.37	0.25	0.08	0.17
Jan-49		57.61	0.011	57.61	0.65	0.03	0.61	0.40	0.21	0.07	0.14
Jan-50		57.61	0.011	57.61	0.64	0.03	0.60	0.36	0.24	0.08	0.16

Totals (2010-2050)	0.378	MMBbl	0.695	MMBbl	61.83	3.26	58.58	—	24.67	33.91	11.30	22.60
Totals (>2050):	—	MMBbl	0.115	MMBbl	6.61	0.35	6.26	—	4.11	2.14	0.71	1.43

APPENDIX III

ELT Profiles and Cash Flows for the Neocomian and Charmottes Fields Based On Year-End 2009 Price



France Gross Field (100%) Working Interest Cashflow Analysis Year-End 2009 Price

Field: Neocomian
Case: 1P

Nominal Net Present Values
as at 01-Jan-10 (US\$ MM)

Disc Rate	Pre-Tax	Post-Tax
10.0%	54.81	33.56

Period	Developed		Undeveloped		Field Revenue US\$ MM	Royalty US\$ MM	Net Revenue US\$ MM	Capital Costs US\$ MM	Operating Costs US\$ MM	Pre Tax NCF US\$ MM	Corporate Tax US\$ MM	Post Tax NCF US\$ MM
	Production MMB	Price US\$/Bbl	Production MMB	Price US\$/Bbl								
Beginning												
Jan-10	0.263	74.75	0.002	74.75	19.82	1.56	18.26	3.30	4.29	10.67	4.55	6.12
Jan-11	0.240	74.75	0.012	74.75	18.87	1.47	17.40	3.30	4.16	9.94	4.19	5.75
Jan-12	0.222	74.75	0.019	74.75	18.01	1.39	16.61	2.60	4.03	9.98	3.89	6.09
Jan-13	0.205	74.75	0.023	74.75	16.98	1.31	15.67		3.89	11.79	3.62	8.16
Jan-14	0.190	74.75	0.021	74.75	15.83	1.23	14.61		3.73	10.88	3.32	7.56
Jan-15	0.178	74.75	0.020	74.75	14.83	1.15	13.68	7.48	5.69	0.51	2.11	-1.60
Jan-16	0.168	74.75	0.019	74.75	13.97	1.09	12.88	7.48	5.44	-0.04	1.67	-1.71
Jan-17	0.158	74.75	0.018	74.75	13.15	1.03	12.12	7.48	5.21	-0.57	1.25	-1.82
Jan-18	0.149	74.75	0.017	74.75	12.44	0.98	11.46	2.48	5.01	3.97	1.01	2.96
Jan-19	0.142	74.75	0.016	74.75	11.80	0.93	10.87	2.48	4.83	3.56	0.79	2.77
Jan-20	0.135	74.75	0.015	74.75	11.24	0.89	10.35	2.48	4.67	3.20	0.70	2.50
Jan-21	0.128	74.75	0.015	74.75	10.69	0.85	9.84	2.48	4.51	2.85	0.61	2.24
Jan-22	0.123	74.75	0.014	74.75	10.20	0.81	9.39	2.48	4.37	2.54	0.51	2.03
Jan-23	0.117	74.75	0.013	74.75	9.76	0.78	8.98	2.48	4.25	2.25	0.33	1.92
Jan-24	0.113	74.75	0.012	74.75	9.37	0.75	8.62	1.24	4.14	3.24	0.21	3.03
Jan-25	0.108	74.75	0.012	74.75	8.97	0.72	8.25	1.24	4.02	2.98	0.33	2.65
Jan-26	0.104	74.75	0.011	74.75	8.61	0.69	7.92	1.24	3.92	2.76	0.46	2.29
Jan-27	0.100	74.75	0.011	74.75	8.29	0.67	7.62	1.24	3.83	2.55	0.60	1.95
Jan-28	0.097	74.75	0.010	74.75	8.00	0.65	7.35	1.24	3.75	2.36	0.58	1.78
Jan-29	0.093	74.75	0.009	74.75	7.70	0.62	7.07	1.24	3.66	2.17	0.56	1.61
Jan-30	0.090	74.75	0.009	74.75	7.42	0.60	6.82	1.24	3.59	1.99	0.54	1.45
Jan-31	0.088	74.75	0.008	74.75	7.14	0.58	6.55	1.24	3.50	1.81	0.52	1.29
Jan-32	0.085	74.75	0.008	74.75	6.92	0.57	6.36	1.24	3.44	1.67	0.52	1.16
Jan-33	0.082	74.75	0.007	74.75	6.69	0.55	6.14	1.24	3.38	1.52	0.51	1.01
Jan-34	0.080	74.75	0.007	74.75	6.48	0.53	5.95	1.24	3.32	1.39	0.46	0.93
Jan-35	0.078	74.75	0.006	74.75	6.28	0.52	5.77		3.26	2.50	0.46	2.04
Jan-36	0.076	74.75	0.006	74.75	6.12	0.51	5.61		3.21	2.40	0.47	1.93
Jan-37	0.074	74.75	0.006	74.75	5.93	0.49	5.44		3.16	2.27	0.47	1.81
Jan-38	0.072	74.75	0.005	74.75	5.76	0.48	5.28		3.11	2.17	0.47	1.69
Jan-39	0.070	74.75	0.005	74.75	5.60	0.47	5.14		3.07	2.07	0.48	1.59
Jan-40	0.068	74.75	0.005	74.75	5.47	0.46	5.01		3.03	1.98	0.50	1.49
Jan-41	0.066	74.75	0.005	74.75	5.31	0.44	4.87		2.99	1.88	0.50	1.38
Jan-42	0.065	74.75	0.004	74.75	5.18	0.43	4.74		2.95	1.80	0.52	1.28
Jan-43	0.063	74.75	0.004	74.75	5.05	0.42	4.63		2.91	1.71	0.53	1.18
Jan-44	0.062	74.75	0.004	74.75	4.94	0.41	4.52		2.88	1.64	0.55	1.10
Jan-45	0.061	74.75	0.004	74.75	4.81	0.40	4.40		2.84	1.56	0.52	1.04
Jan-46	0.059	74.75	0.004	74.75	4.70	0.40	4.30		2.81	1.49	0.50	0.99
Jan-47	0.058	74.75	0.003	74.75	4.59	0.39	4.20		2.78	1.42	0.47	0.95
Jan-48	0.057	74.75	0.003	74.75	4.50	0.38	4.12		2.76	1.36	0.45	0.91
Jan-49	0.056	74.75	0.003	74.75	4.39	0.37	4.02		2.72	1.29	0.43	0.86
Jan-50	0.055	74.75	0.003	74.75	4.29	0.36	3.93		2.70	1.23	0.41	0.82
Totals (2010-2050)	4.498	MMBbl	0.400	MMBbl	366.08	29.34	336.74	60.16	151.82	124.77	41.58	83.18

Totals
(>2050): 0.498 MMBbl 0.022 MMBbl 38.86 3.31 35.55 — 25.82 9.73 3.24 6.49



France
Gross Field (100%) Working Interest Cashflow Analysis
Year-End 2009 Price

Field: Neocomian
Case: 2P

Nominal Net Present Values
as at 01-Jan-10 (US\$ MM)

Disc Rate	Pre-Tax	Post-Tax
10.0%	74.44	46.25

Period	Developed		Undeveloped		Field Revenue US\$ MM	Royalty US\$ MM	Net Revenue US\$ MM	Capital Costs US\$ MM	Operating Costs US\$ MM	Pre Tax NCF US\$ MM	Corporate Tax US\$ MM	Post Tax NCF US\$ MM
	Production MMB	Price US\$/Bbl	Production MMB	Price US\$/Bbl								
Beginning												
Jan-10	0.273	74.75	0.002	74.75	20.51	1.59	18.92	3.30	4.39	11.23	4.73	6.50
Jan-11	0.258	74.75	0.012	74.75	20.19	1.53	18.66	3.30	4.34	11.02	4.55	6.47
Jan-12	0.246	74.75	0.019	74.75	19.81	1.47	18.34	2.60	4.29	11.45	4.37	7.07
Jan-13	0.233	74.75	0.030	74.75	19.68	1.43	18.25	2.60	4.27	11.38	4.27	7.11
Jan-14	0.223	74.75	0.035	74.75	19.24	1.37	17.86	2.60	4.21	11.06	4.07	6.98
Jan-15	0.213	74.75	0.044	74.75	19.17	1.34	17.83	7.48	6.92	3.43	2.91	0.52
Jan-16	0.204	74.75	0.041	74.75	18.37	1.28	17.08	7.48	6.69	2.92	2.49	0.43
Jan-17	0.196	74.75	0.039	74.75	17.55	1.22	16.32	7.48	6.46	2.39	2.06	0.33
Jan-18	0.188	74.75	0.037	74.75	16.82	1.17	15.66	2.48	6.25	6.92	1.82	5.10
Jan-19	0.181	74.75	0.035	74.75	16.15	1.12	15.03	2.48	6.06	6.49	1.60	4.89
Jan-20	0.175	74.75	0.033	74.75	15.56	1.08	14.48	2.48	5.89	6.11	1.50	4.61
Jan-21	0.169	74.75	0.031	74.75	14.94	1.03	13.91	2.48	5.72	5.71	1.39	4.32
Jan-22	0.163	74.75	0.030	74.75	14.40	1.00	13.40	2.48	5.56	5.36	1.28	4.08
Jan-23	0.158	74.75	0.028	74.75	13.88	0.96	12.92	2.48	5.42	5.03	1.17	3.85
Jan-24	0.153	74.75	0.027	74.75	13.43	0.93	12.50	1.24	5.29	5.97	1.12	4.85
Jan-25	0.148	74.75	0.025	74.75	12.95	0.89	12.05	1.24	5.15	5.66	1.22	4.44
Jan-26	0.144	74.75	0.024	74.75	12.52	0.87	11.66	1.24	5.03	5.38	1.34	4.05
Jan-27	0.139	74.75	0.023	74.75	12.12	0.84	11.28	1.24	4.92	5.12	1.46	3.66
Jan-28	0.136	74.75	0.021	74.75	11.76	0.81	10.95	1.24	4.82	4.89	1.42	3.47
Jan-29	0.132	74.75	0.020	74.75	11.38	0.79	10.59	1.24	4.71	4.64	1.38	3.26
Jan-30	0.128	74.75	0.019	74.75	11.03	0.76	10.26	1.24	4.61	4.42	1.35	3.07
Jan-31	0.125	74.75	0.018	74.75	10.67	0.74	9.93	1.24	4.51	4.18	1.31	2.87
Jan-32	0.122	74.75	0.016	74.75	10.34	0.72	9.62	1.24	4.41	3.97	1.28	2.69
Jan-33	0.119	74.75	0.015	74.75	10.02	0.70	9.32	1.24	4.32	3.76	1.25	2.51
Jan-34	0.116	74.75	0.014	74.75	9.74	0.68	9.06	1.24	4.24	3.58	1.19	2.39
Jan-35	0.113	74.75	0.013	74.75	9.48	0.66	8.82		4.17	4.65	1.18	3.47
Jan-36	0.111	74.75	0.013	74.75	9.26	0.64	8.61		4.11	4.51	1.17	3.33
Jan-37	0.108	74.75	0.012	74.75	9.00	0.63	8.37		4.03	4.34	1.16	3.18
Jan-38	0.106	74.75	0.011	74.75	8.77	0.61	8.16		3.97	4.19	1.15	3.04
Jan-39	0.104	74.75	0.011	74.75	8.56	0.60	7.96		3.91	4.05	1.14	2.91
Jan-40	0.102	74.75	0.010	74.75	8.38	0.58	7.79		3.86	3.94	1.15	2.79
Jan-41	0.099	74.75	0.010	74.75	8.16	0.57	7.59		3.79	3.79	1.14	2.65
Jan-42	0.097	74.75	0.009	74.75	7.97	0.56	7.41		3.74	3.67	1.14	2.53
Jan-43	0.096	74.75	0.009	74.75	7.79	0.54	7.25		3.69	3.56	1.14	2.41
Jan-44	0.094	74.75	0.008	74.75	7.64	0.53	7.10		3.65	3.46	1.15	2.31
Jan-45	0.092	74.75	0.008	74.75	7.45	0.52	6.93		3.59	3.34	1.11	2.23
Jan-46	0.090	74.75	0.007	74.75	7.30	0.51	6.78		3.55	3.24	1.08	2.16
Jan-47	0.089	74.75	0.007	74.75	7.14	0.50	6.64		3.51	3.14	1.05	2.09
Jan-48	0.087	74.75	0.007	74.75	7.01	0.49	6.52		3.47	3.05	1.02	2.04
Jan-49	0.085	74.75	0.006	74.75	6.86	0.48	6.38		3.42	2.95	0.98	1.97
Jan-50	0.084	74.75	0.006	74.75	6.72	0.47	6.25		3.39	2.86	0.95	1.91
Totals (2010-2050)	5.900	MMBbl	0.786	MMBbl	499.71	35.23	464.49	65.36	188.31	210.81	70.26	140.55
Totals (>2050):	1.432	MMBbl	0.071	MMBbl	112.36	7.92	104.43	—	61.47	42.97	14.32	28.65



France
Gross Field (100%) Working Interest Cashflow Analysis
Year-End 2009 Price

Field: Neocomian
Case: 3P

Nominal Net Present Values
as at 01-Jan-10 (US\$ MM)

Disc Rate	Pre-Tax	Post-Tax
10.0%	104.70	66.43

Period	Developed		Undeveloped		Field Revenue US\$ MM	Royalty US\$ MM	Net Revenue US\$ MM	Capital Costs US\$ MM	Operating Costs US\$ MM	Pre Tax NCF US\$ MM	Corporate Tax US\$ MM	Post Tax NCF US\$ MM
	Production MMB	Price US\$/Bbl	Production MMB	Price US\$/Bbl								
Beginning												
Jan-10	0.283	74.75	0.002	74.75	21.30	1.70	19.59	3.30	4.50	11.79	4.92	6.87
Jan-11	0.280	74.75	0.012	74.75	21.80	1.71	20.09	3.30	4.57	12.22	4.95	7.27

Jan-12	0.277	74.75	0.019	74.75	22.15	1.72	20.43	2.60	4.62	13.21	4.96	8.25
Jan-13	0.273	74.75	0.030	74.75	22.64	1.72	20.92	2.60	4.69	13.63	5.02	8.61
Jan-14	0.270	74.75	0.035	74.75	22.76	1.71	21.05	2.60	4.71	13.74	4.97	8.77
Jan-15	0.267	74.75	0.044	74.75	23.17	1.72	21.45	7.48	8.05	5.92	3.74	2.18
Jan-16	0.264	74.75	0.041	74.75	22.82	1.70	21.12	7.48	7.95	5.69	3.41	2.28
Jan-17	0.260	74.75	0.039	74.75	22.36	1.66	20.70	7.48	7.82	5.39	3.06	2.33
Jan-18	0.257	74.75	0.037	74.75	21.97	1.64	20.34	2.48	7.71	10.14	2.90	7.25
Jan-19	0.254	74.75	0.035	74.75	21.60	1.61	19.98	2.48	7.61	9.90	2.73	7.17
Jan-20	0.252	74.75	0.033	74.75	21.28	1.59	19.69	2.48	7.52	9.69	2.69	7.00
Jan-21	0.248	74.75	0.031	74.75	20.87	1.56	19.31	2.48	7.40	9.43	2.63	6.80
Jan-22	0.245	74.75	0.030	74.75	20.53	1.54	18.99	2.48	7.30	9.21	2.56	6.65
Jan-23	0.242	74.75	0.028	74.75	20.19	1.51	18.68	2.48	7.21	8.99	2.49	6.50
Jan-24	0.240	74.75	0.027	74.75	19.91	1.49	18.41	1.24	7.13	10.05	2.48	7.57
Jan-25	0.236	74.75	0.025	74.75	19.54	1.47	18.07	1.24	7.02	9.81	2.61	7.20
Jan-26	0.233	74.75	0.024	74.75	19.23	1.44	17.78	1.24	6.93	9.61	2.75	6.86
Jan-27	0.230	74.75	0.023	74.75	18.92	1.42	17.50	1.24	6.85	9.41	2.89	6.52
Jan-28	0.228	74.75	0.021	74.75	18.67	1.40	17.27	1.24	6.78	9.25	2.88	6.38
Jan-29	0.225	74.75	0.020	74.75	18.33	1.38	16.96	1.24	6.68	9.04	2.85	6.19
Jan-30	0.222	74.75	0.019	74.75	18.04	1.36	16.69	1.24	6.60	8.85	2.83	6.02
Jan-31	0.220	74.75	0.018	74.75	17.73	1.34	16.40	1.24	6.51	8.65	2.80	5.85
Jan-32	0.218	74.75	0.016	74.75	17.46	1.32	16.14	1.24	6.43	8.47	2.78	5.69
Jan-33	0.214	74.75	0.015	74.75	17.15	1.29	15.86	1.24	6.34	8.27	2.76	5.52
Jan-34	0.212	74.75	0.014	74.75	16.89	1.27	15.61	1.24	6.27	8.10	2.70	5.40
Jan-35	0.209	74.75	0.013	74.75	16.64	1.26	15.39		6.20	9.19	2.69	6.50
Jan-36	0.207	74.75	0.013	74.75	16.44	1.24	15.20		6.14	9.06	2.69	6.37
Jan-37	0.204	74.75	0.012	74.75	16.17	1.22	14.95		6.06	8.88	2.67	6.21
Jan-38	0.202	74.75	0.011	74.75	15.93	1.20	14.73		6.00	8.73	2.66	6.07
Jan-39	0.199	74.75	0.011	74.75	15.71	1.18	14.52		5.94	8.59	2.66	5.93
Jan-40	0.197	74.75	0.010	74.75	15.53	1.17	14.36		5.88	8.47	2.66	5.81
Jan-41	0.195	74.75	0.010	74.75	15.27	1.15	14.12		5.81	8.31	2.64	5.66
Jan-42	0.192	74.75	0.009	74.75	15.06	1.13	13.92		5.75	8.17	2.64	5.53
Jan-43	0.190	74.75	0.009	74.75	14.85	1.12	13.73		5.69	8.04	2.64	5.40
Jan-44	0.188	74.75	0.008	74.75	14.68	1.10	13.58		5.64	7.93	2.64	5.29
Jan-45	0.185	74.75	0.008	74.75	14.44	1.09	13.35		5.58	7.78	2.59	5.19
Jan-46	0.183	74.75	0.007	74.75	14.24	1.07	13.17		5.52	7.65	2.55	5.10
Jan-47	0.181	74.75	0.007	74.75	14.05	1.05	12.99		5.46	7.53	2.51	5.02
Jan-48	0.179	74.75	0.007	74.75	13.89	1.04	12.85		5.42	7.43	2.48	4.95
Jan-49	0.177	74.75	0.006	74.75	13.67	1.02	12.65		5.36	7.29	2.43	4.86
Jan-50	0.174	74.75	0.006	74.75	13.49	1.01	12.48		5.31	7.17	2.39	4.78
Totals (2010-2050)	9.213	MMBbl	0.786	MMBbl	747.37	56.34	691.03	65.36	256.97	368.70	122.89	245.82
Totals (>2050):	3.083	MMBbl	0.071	MMBbl	235.74	14.23	221.51	—	96.46	125.05	41.68	83.37



France
Gross Field (100%) Working Interest Cashflow Analysis
Year-End 2009 Price

Field: Charmottes
Case: 1P

Nominal Net Present Values
as at 01-Jan-10 (US\$ MM)

Disc Rate	Pre-Tax	Post-Tax
10.0%	9.91	6.61

Period	Triassic		Dogger		Field Revenue US\$ MM	Royalty US\$ MM	Net Revenue US\$ MM	Capital Costs US\$ MM	Operating Costs US\$ MM	Pre Tax NCF US\$ MM	Corporate Tax US\$ MM	Post Tax NCF US\$ MM
	Production MMB	Price US\$/Bbl	Production MMB	Price US\$/Bbl								
Beginning												
Jan-10	0.006	75.37	0.033	75.37	2.89	0.12	2.78		0.76	2.02	0.67	1.34
Jan-11	0.005	75.37	0.028	75.37	2.50	0.10	2.40		0.72	1.67	0.56	1.12
Jan-12	0.005	75.37	0.024	75.37	2.21	0.09	2.13		0.63	1.50	0.50	1.00
Jan-13	0.005	75.37	0.022	75.37	1.98	0.08	1.90		0.62	1.28	0.43	0.85
Jan-14	0.005	75.37	0.019	75.37	1.81	0.07	1.73		0.55	1.18	0.39	0.79
Jan-15	0.004	75.37	0.018	75.37	1.66	0.07	1.59		0.56	1.03	0.34	0.69
Jan-16	0.004	75.37	0.016	75.37	1.54	0.06	1.48		0.50	0.98	0.33	0.66
Jan-17	0.004	75.37	0.015	75.37	1.44	0.06	1.38		0.52	0.86	0.29	0.57
Jan-18	0.004	75.37	0.014	75.37	1.35	0.05	1.29		0.46	0.83	0.28	0.55
Jan-19	0.004	75.37	0.013	75.37	1.27	0.05	1.22		0.49	0.73	0.24	0.49
Jan-20	0.004	75.37	0.012	75.37	1.20	0.05	1.16		0.43	0.72	0.24	0.48
Jan-21	0.004	75.37	0.011	75.37	1.14	0.05	1.10		0.46	0.63	0.21	0.42
Jan-22	0.004	75.37	0.011	75.37	1.09	0.04	1.04		0.41	0.63	0.21	0.42
Jan-23	0.004	75.37	0.010	75.37	1.04	0.04	1.00		0.44	0.56	0.19	0.37
Jan-24	0.004	75.37	0.010	75.37	1.00	0.04	0.96		0.39	0.56	0.19	0.38
Jan-25	0.004	75.37	0.009	75.37	0.96	0.04	0.92		0.43	0.49	0.16	0.33
Jan-26	0.004	75.37	0.009	75.37	0.92	0.04	0.88		0.38	0.51	0.17	0.34
Jan-27	0.003	75.37	0.008	75.37	0.89	0.04	0.85		0.41	0.44	0.15	0.29
Jan-28	0.003	75.37	0.008	75.37	0.86	0.03	0.83		0.37	0.46	0.15	0.31
Jan-29	0.003	75.37	0.008	75.37	0.83	0.03	0.80		0.40	0.40	0.13	0.26
Jan-30	0.003	75.37	0.005	75.37	0.62	0.02	0.60		0.32	0.28	0.09	0.18
Totals (>01-Jan-10):	0.086	MMBbl	0.301	MMBbl	29.20	1.18	28.02	—	10.26	17.77	5.92	11.85



France
Gross Field (100%) Working Interest Cashflow Analysis
Year-End 2009 Price

Field: Charmottes
Case: 2P

Nominal Net Present Values
as at 01-Jan-10 (US\$ MM)

Disc Rate	Pre-Tax	Post-Tax
10.0%	15.97	10.65

Period	Triassic		Dogger		Field Revenue US\$ MM	Royalty US\$ MM	Net Revenue US\$ MM	Capital Costs US\$ MM	Operating Costs US\$ MM	Pre Tax NCF US\$ MM	Corporate Tax US\$ MM	Post Tax NCF US\$ MM
	Production MMB	Price US\$/Bbl	Production MMB	Price US\$/Bbl								
Beginning												
Jan-10	0.010	75.37	0.034	75.37	3.29	0.13	3.16		0.84	2.32	0.77	1.55
Jan-11	0.011	75.37	0.030	75.37	3.13	0.13	3.00		0.85	2.16	0.72	1.44
Jan-12	0.011	75.37	0.027	75.37	2.87	0.12	2.75		0.76	2.00	0.67	1.33
Jan-13	0.010	75.37	0.025	75.37	2.66	0.11	2.56		0.76	1.80	0.60	1.20
Jan-14	0.010	75.37	0.023	75.37	2.51	0.10	2.41		0.69	1.72	0.57	1.15
Jan-15	0.010	75.37	0.021	75.37	2.39	0.10	2.30		0.70	1.59	0.53	1.06
Jan-16	0.010	75.37	0.020	75.37	2.30	0.09	2.21		0.65	1.56	0.52	1.04
Jan-17	0.010	75.37	0.019	75.37	2.21	0.09	2.12		0.67	1.46	0.49	0.97
Jan-18	0.010	75.37	0.018	75.37	2.14	0.09	2.06		0.62	1.44	0.48	0.96
Jan-19	0.011	75.37	0.017	75.37	2.08	0.08	2.00		0.64	1.36	0.45	0.90
Jan-20	0.011	75.37	0.016	75.37	2.04	0.08	1.95		0.59	1.36	0.45	0.91
Jan-21	0.011	75.37	0.016	75.37	1.98	0.08	1.90		0.62	1.28	0.43	0.85
Jan-22	0.011	75.37	0.015	75.37	1.94	0.08	1.86		0.58	1.29	0.43	0.86
Jan-23	0.011	75.37	0.014	75.37	1.91	0.08	1.83		0.61	1.22	0.41	0.81
Jan-24	0.011	75.37	0.014	75.37	1.88	0.08	1.80		0.56	1.24	0.41	0.83
Jan-25	0.011	75.37	0.014	75.37	1.84	0.07	1.77		0.60	1.17	0.39	0.78
Jan-26	0.011	75.37	0.013	75.37	1.81	0.07	1.74		0.55	1.19	0.40	0.79
Jan-27	0.011	75.37	0.013	75.37	1.78	0.07	1.71		0.59	1.13	0.38	0.75
Jan-28	0.011	75.37	0.012	75.37	1.76	0.07	1.69		0.54	1.15	0.38	0.77
Jan-29	0.011	75.37	0.012	75.37	1.74	0.07	1.67		0.58	1.09	0.36	0.73
Jan-30	0.011	75.37	0.012	75.37	1.71	0.07	1.65		0.53	1.11	0.37	0.74
Jan-31	0.011	75.37	0.011	75.37	1.69	0.07	1.62		0.57	1.06	0.35	0.70
Jan-32	0.011	75.37	0.011	75.37	1.68	0.07	1.61		0.52	1.09	0.36	0.72
Jan-33	0.011	75.37	0.011	75.37	1.65	0.07	1.59		0.56	1.03	0.34	0.68
Jan-34	0.011	75.37	0.011	75.37	1.64	0.07	1.57		0.52	1.05	0.35	0.70
Jan-35	0.011	75.37	0.010	75.37	1.62	0.07	1.55		0.55	1.00	0.33	0.67
Jan-36	0.011	75.37	0.010	75.37	1.61	0.06	1.54		0.51	1.03	0.34	0.69
Jan-37	0.011	75.37	0.010	75.37	1.59	0.06	1.52		0.55	0.98	0.33	0.65
Jan-38	0.011	75.37	0.010	75.37	1.57	0.06	1.51		0.50	1.01	0.34	0.67
Jan-39	0.011	75.37	0.009	75.37	1.56	0.06	1.50		0.54	0.96	0.32	0.64
Jan-40	0.011	75.37	0.009	75.37	1.55	0.06	1.49		0.50	0.99	0.33	0.66
Jan-41	0.003	75.37	0.009	75.37	0.90	0.04	0.86		0.41	0.45	0.15	0.30
Jan-42		75.37	0.009	75.37	0.68	0.03	0.65		0.33	0.32	0.11	0.21
Jan-43		75.37	0.009	75.37	0.66	0.03	0.64		0.37	0.27	0.09	0.18
Jan-44		75.37	0.009	75.37	0.66	0.03	0.63		0.33	0.30	0.10	0.20
Jan-45		75.37	0.009	75.37	0.64	0.03	0.62		0.36	0.25	0.08	0.17
Jan-46		75.37	0.008	75.37	0.63	0.03	0.61		0.32	0.28	0.09	0.19
Jan-47		75.37	0.008	75.37	0.62	0.03	0.60		0.36	0.24	0.08	0.16
Jan-48		75.37	0.008	75.37	0.61	0.02	0.59		0.32	0.27	0.09	0.18
Jan-49		75.37	0.008	75.37	0.60	0.02	0.58		0.36	0.22	0.07	0.15
Jan-50		75.37	0.008	75.37	0.59	0.02	0.57		0.32	0.25	0.08	0.17
Totals (2010-2050)	0.339	MMBbl	0.573	MMBbl	68.75	2.77	65.99	—	22.32	43.67	14.55	29.11
Totals (>2050):	—	MMBbl	0.038	MMBbl	2.85	0.11	2.73	—	1.67	1.06	0.35	0.71



France
Gross Field (100%) Working Interest Cashflow Analysis
Year-End 2009 Price

Field: Charmottes
Case: 3P

Nominal Net Present Values
as at 01-Jan-10 (US\$ MM)

Disc Rate	Pre-Tax	Post-Tax
10.0%	17.90	11.93

Period	Triassic		Dogger		Field Revenue US\$ MM	Royalty US\$ MM	Net Revenue US\$ MM	Capital Costs US\$ MM	Operating Costs US\$ MM	Pre Tax NCF US\$ MM	Corporate Tax US\$ MM	Post Tax NCF US\$ MM
	Production MMB	Price US\$/Bbl	Production MMB	Price US\$/Bbl								
Beginning												
Jan-10	0.010	75.37	0.035	75.37	3.34	0.13	3.21		0.85	2.36	0.79	1.57
Jan-11	0.011	75.37	0.031	75.37	3.23	0.13	3.10		0.87	2.23	0.74	1.49
Jan-12	0.011	75.37	0.029	75.37	3.01	0.12	2.89		0.78	2.11	0.70	1.40
Jan-13	0.011	75.37	0.027	75.37	2.84	0.11	2.73		0.79	1.94	0.65	1.29

Jan-14	0.011	75.37	0.025	75.37	2.72	0.11	2.61	0.73	1.89	0.63	1.26
Jan-15	0.011	75.37	0.024	75.37	2.63	0.11	2.52	0.75	1.77	0.59	1.18
Jan-16	0.011	75.37	0.023	75.37	2.56	0.10	2.45	0.70	1.76	0.59	1.17
Jan-17	0.011	75.37	0.022	75.37	2.48	0.10	2.38	0.72	1.66	0.55	1.11
Jan-18	0.011	75.37	0.021	75.37	2.43	0.10	2.33	0.67	1.66	0.55	1.11
Jan-19	0.011	75.37	0.020	75.37	2.38	0.10	2.28	0.70	1.58	0.53	1.05
Jan-20	0.012	75.37	0.019	75.37	2.34	0.09	2.25	0.65	1.59	0.53	1.06
Jan-21	0.012	75.37	0.019	75.37	2.30	0.09	2.21	0.69	1.52	0.51	1.01
Jan-22	0.012	75.37	0.018	75.37	2.27	0.09	2.17	0.64	1.54	0.51	1.02
Jan-23	0.012	75.37	0.018	75.37	2.24	0.09	2.15	0.67	1.47	0.49	0.98
Jan-24	0.012	75.37	0.017	75.37	2.21	0.09	2.13	0.63	1.50	0.50	1.00
Jan-25	0.012	75.37	0.017	75.37	2.18	0.09	2.10	0.66	1.43	0.48	0.96
Jan-26	0.012	75.37	0.016	75.37	2.16	0.09	2.07	0.62	1.46	0.49	0.97
Jan-27	0.012	75.37	0.016	75.37	2.14	0.09	2.05	0.65	1.40	0.47	0.93
Jan-28	0.013	75.37	0.016	75.37	2.13	0.09	2.04	0.61	1.43	0.48	0.95
Jan-29	0.013	75.37	0.015	75.37	2.10	0.08	2.02	0.65	1.37	0.46	0.91
Jan-30	0.013	75.37	0.015	75.37	2.08	0.08	2.00	0.60	1.40	0.47	0.93
Jan-31	0.013	75.37	0.015	75.37	2.07	0.08	1.98	0.64	1.34	0.45	0.90
Jan-32	0.013	75.37	0.014	75.37	2.06	0.08	1.97	0.60	1.38	0.46	0.92
Jan-33	0.013	75.37	0.014	75.37	2.04	0.08	1.96	0.63	1.32	0.44	0.88
Jan-34	0.013	75.37	0.014	75.37	2.02	0.08	1.94	0.59	1.35	0.45	0.90
Jan-35	0.013	75.37	0.014	75.37	2.01	0.08	1.93	0.63	1.30	0.43	0.87
Jan-36	0.013	75.37	0.013	75.37	2.00	0.08	1.92	0.59	1.33	0.44	0.89
Jan-37	0.013	75.37	0.013	75.37	1.98	0.08	1.90	0.62	1.28	0.43	0.85
Jan-38	0.013	75.37	0.013	75.37	1.97	0.08	1.89	0.58	1.31	0.44	0.87
Jan-39	0.013	75.37	0.013	75.37	1.95	0.08	1.88	0.62	1.26	0.42	0.84
Jan-40	0.013	75.37	0.013	75.37	1.94	0.08	1.86	0.58	1.29	0.43	0.86
Jan-41	0.003	75.37	0.012	75.37	1.18	0.05	1.13	0.47	0.66	0.22	0.44
Jan-42		75.37	0.012	75.37	0.92	0.04	0.88	0.38	0.51	0.17	0.34
Jan-43		75.37	0.012	75.37	0.91	0.04	0.87	0.42	0.46	0.15	0.30
Jan-44		75.37	0.012	75.37	0.90	0.04	0.86	0.37	0.49	0.16	0.33
Jan-45		75.37	0.012	75.37	0.89	0.04	0.85	0.41	0.44	0.15	0.29
Jan-46		75.37	0.012	75.37	0.88	0.04	0.84	0.37	0.47	0.16	0.31
Jan-47		75.37	0.011	75.37	0.86	0.03	0.83	0.41	0.42	0.14	0.28
Jan-48		75.37	0.011	75.37	0.86	0.03	0.82	0.37	0.46	0.15	0.30
Jan-49		75.37	0.011	75.37	0.84	0.03	0.81	0.40	0.41	0.14	0.27
Jan-50		75.37	0.011	75.37	0.84	0.03	0.80	0.36	0.44	0.15	0.29

Totals												
(2010-2050)	0.378	MMBbl	0.695	MMBbl	80.89	3.26	77.64	—	24.67	52.97	17.65	35.31
Totals												
(>2050):	—	MMBbl	0.115	MMBbl	8.64	0.35	8.30	—	4.11	4.18	1.39	2.79

EXHIBIT II

**QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30,
2010, FILED BY TOREADOR WITH THE SEC ON NOVEMBER 9, 2010**

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

Form 10-Q

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

For the quarterly period ended: **September 30, 2010**

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

Commission file number **001-34216**

TOREADOR RESOURCES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

75-0991164
(I.R.S. Employer
Identification Number)

c/o Toreador Holding SAS
9 rue Scribe
75009 Paris, France
(Address of principal executive office)

Registrant's telephone number, including area code: **+33 1 47 03 34 24**

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

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 No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting company)

Smaller Reporting company

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

As of November 8, 2010, there were 25,828,705 shares of common stock, par value \$.15625 per share, outstanding.

TOREADOR RESOURCES CORPORATION

TABLE OF CONTENTS

	<u>Page</u>	
<u>PART I. FINANCIAL INFORMATION</u>		
<u>Item 1.</u>	<u>Financial Statements (unaudited)</u>	
	<u>Condensed Consolidated Balance Sheets — September 30, 2010 and December 31, 2009</u>	1
	<u>Condensed Consolidated Statements of Operations — for the three months ended September 30, 2010 and 2009</u>	2
	<u>Condensed Consolidated Statements of Operations — for the nine months ended September 30, 2010 and 2009</u>	3
	<u>Condensed Consolidated Statement of Changes in Stockholder’s Equity — September 30, 2010</u>	4
	<u>Condensed Consolidated Statements of Cash Flows — for the nine months ended September 30, 2010 and 2009</u>	5
	<u>Notes to Condensed Consolidated Financial Statements</u>	6
<u>Item 2.</u>	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	26
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	47
<u>Item 4.</u>	<u>Controls and Procedures</u>	48
<u>PART II. OTHER INFORMATION</u>		
<u>Item 1.</u>	<u>Legal Proceedings</u>	49
<u>Item 1A.</u>	<u>Risk Factors</u>	49
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	49
<u>Item 6.</u>	<u>Exhibits</u>	49
	<u>SIGNATURES</u>	50

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

TOREADOR RESOURCES CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEET

	September 30, 2010	December 31, 2009
	(Unaudited)	
	(In thousands, except share and per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 53,550	\$ 8,712
Accounts receivable (Note 2)	3,388	3,126
Income tax receivable (Note 8)	—	245
Other	3,762	3,593
Total current assets	<u>60,700</u>	<u>15,676</u>
Oil and natural gas properties		
Oil and natural gas properties, gross	108,061	116,435
Accumulated depletion, depreciation and amortization	<u>(42,185)</u>	<u>(41,814)</u>
Oil and natural gas properties, net	65,876	74,621
Investments	200	200
Goodwill	3,764	3,973
Other assets	<u>1,738</u>	<u>2,685</u>
Total assets	<u>\$ 132,278</u>	<u>\$ 97,155</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 6,888	\$ 11,635
Deferred lease payable — current portion	112	107
Derivatives (Note 13)	177	886
Current portion of long-term debt (Note 5)	32,385	32,385
Income taxes payable (Note 8)	6,303	—
Total current liabilities	<u>45,865</u>	<u>45,013</u>
Long-term accrued liabilities	1,249	1,241
Deferred lease payable, net of current portion	359	442
Asset retirement obligations (Note 6)	4,009	6,733
Deferred income tax (Note 8)	14,866	15,358
Long-term debt (Notes 5 and 14)	<u>34,716</u>	<u>22,231</u>
Total liabilities	101,064	91,018
Stockholders' equity:		
Common stock, \$0.15625 par value, 30,000,000 shares authorized; 28,828,705 in 2010 and 22,106,955 in 2009 shares issued	4,036	3,454
Additional paid-in capital	198,458	170,895
Accumulated deficit	(180,494)	(176,578)
Accumulated other comprehensive income	11,748	10,900
Treasury stock at cost, 721,027 shares for 2009 and 2010	<u>(2,534)</u>	<u>(2,534)</u>
Total stockholders' equity	31,214	6,137
Total liabilities and stockholders' equity	<u>\$ 132,278</u>	<u>\$ 97,155</u>

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

TOREADOR RESOURCES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended September 30,	
	2010	2009
(Unaudited)		
(In thousands, except share and per share data)		
Revenues and other income:		
Sales and other operating revenue	\$ 6,003	\$ 5,204
Other income	560	—
Total revenues and other income	<u>6,563</u>	<u>5,204</u>
Operating costs and expenses:		
Lease operating expense	2,966	1,468
Exploration expense	201	22
Depreciation, depletion and amortization	1,129	1,266
Accretion on discounted assets and liabilities (Notes 5 and 6)	(246)	127
General and administrative	1,773	4,136
Loss (gain) on oil and gas derivative contracts (Note 13)	105	(7)
Total operating costs and expenses	<u>5,928</u>	<u>7,012</u>
Operating income (loss)	635	(1,808)
Other (expense) income:		
Foreign currency exchange gain (loss)	(1,178)	1
Interest expense, net of interest capitalized (Note 5)	(2,727)	(366)
Total other income (expense)	<u>(3,905)</u>	<u>(365)</u>
Loss before taxes from continuing operations	(3,270)	(2,173)
Income tax (benefit) provision (Note 8)	(666)	(232)
Loss from continuing operations, net of income taxes	<u>(2,604)</u>	<u>(1,941)</u>
Loss from discontinued operations, net of income taxes (Note 12)	(290)	(10,518)
Net loss available to common shares	<u>\$ (2,894)</u>	<u>\$ (12,459)</u>
Basic loss available to common shares per share:		
From continuing operations, net of income taxes	\$ (0.11)	\$ (0.09)
From discontinued operations, net of income taxes	(0.01)	(0.50)
	<u>\$ (0.12)</u>	<u>\$ (0.59)</u>
Diluted loss available to common shares per share:		
From continuing operations, net of income taxes	\$ (0.10)	\$ (0.09)
From discontinued operations, net of income taxes	(0.01)	(0.50)
	<u>\$ (0.11)</u>	<u>\$ (0.59)</u>
Weighted average shares outstanding:		
Basic	<u>24,660</u>	<u>20,869</u>
Diluted	<u>25,917</u>	<u>20,869</u>

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

TOREADOR RESOURCES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Nine Months Ended September 30,	
	2010	2009
(Unaudited)		
(In thousands, except share and per share data)		
Revenues and other income:		
Sales and other operating revenue	\$ 17,460	\$ 13,096
Other income (Note 16)	15,560	121
Total revenues and other income	<u>33,020</u>	<u>13,217</u>
Operating costs and expenses:		
Lease operating expense	7,344	5,029
Exploration expense	1,276	130
Depreciation, depletion and amortization	2,807	4,171
Accretion on discounted assets and liabilities (Notes 5 and 6)	(159)	365
General and administrative	9,615	14,663
Gain on oil and gas derivative contracts (Note 13)	(709)	(7)
Total operating costs and expenses	<u>20,174</u>	<u>24,351</u>
Operating income (loss)	12,846	(11,134)
Other (expense) income:		
Foreign currency exchange gain (loss)	(1,254)	131
(Loss) gain on the early extinguishment of debt (Note 5)	(4,256)	3,370
Interest expense, net of interest capitalized	(4,448)	(1,833)
Total other (expense) income	<u>(9,958)</u>	<u>1,668</u>
Income (loss) before taxes from continuing operations	2,888	(9,466)
Income tax (benefit) provision (Note 8)	5,683	(1,002)
Loss from continuing operations, net of income taxes	(2,795)	(8,464)
Loss from discontinued operations, net of income taxes (Note 12)	(1,113)	(11,988)
Net loss available to common shares	<u>\$ (3,908)</u>	<u>\$ (20,452)</u>
Basic loss available to common shares per share:		
From continuing operations, net of income taxes	\$ (0.12)	\$ (0.41)
From discontinued operations, net of income taxes	(0.05)	(0.59)
	<u>\$ (0.17)</u>	<u>\$ (1.00)</u>
Diluted loss available to common shares per share:		
From continuing operations, net of income taxes	\$ (0.11)	\$ (0.41)
From discontinued operations, net of income taxes	(0.04)	(0.59)
	<u>\$ (0.15)</u>	<u>\$ (1.00)</u>
Weighted average shares outstanding:		
Basic	<u>24,393</u>	<u>20,428</u>
Diluted	<u>25,811</u>	<u>20,428</u>

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

TREADOR RESOURCES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

NINE MONTHS ENDED SEPTEMBER 30, 2010

(UNAUDITED)

	Common Stock (Shares)	Common Stock (\$)	Additional Paid-in Capital	Accumulated deficit	Accumulated Other Comprehensive Income (loss)	Treasury Stock (Shares)	Treasury Stock (\$)	Total Stockholders' Equity
Balance at December 31, 2009	22,107	\$ 3,454	\$ 170,895	\$ (176,578)	\$ 10,900	721	\$ (2,534)	\$ 6,137
Exercise of stock options	5	—	15	—	—	—	—	15
Return of stock options exercised	—	1	—	—	—	—	—	1
Issuance of restricted stock	267	42	(42)	—	—	—	—	—
Issuance of common stock	3,450	539	28,786	—	—	—	—	29,325
Amortization of deferred stock compensation	—	—	1,370	—	—	—	—	1,370
Net loss	—	—	—	(3,908)	—	—	—	(3,908)
Foreign currency translation adjustment	—	—	—	—	848	—	—	848
Tax effect of restricted stock	—	—	(87)	—	—	—	—	(87)
Payment of equity issuance costs	—	—	(2,489)	—	—	—	—	(2,489)
Other	—	—	10	(8)	—	—	—	2
Balance at September 30, 2010	<u>25,829</u>	<u>\$ 4,036</u>	<u>\$ 198,458</u>	<u>\$ (180,494)</u>	<u>\$ 11,748</u>	<u>721</u>	<u>\$ (2,534)</u>	<u>\$ 31,214</u>

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

TOREADOR RESOURCES CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30,	
	2010	2009
	(Unaudited) (In thousands)	
Cash flows from operating activities:		
Net loss	\$ (3,908)	\$ (20,452)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation, depletion and amortization	2,807	4,693
Accretion on discounted assets and liabilities	(159)	—
Amortization of deferred debt issuance costs	1,409	—
Stock based compensation	2,631	3,909
Deferred income taxes (liabilities) benefit	(492)	679
Dry hole costs		1,318
Impairment of oil and natural gas properties	—	10,725
Gain on sale of properties and equipment	—	(121)
Gain on sale of discontinued operations	—	(1,675)
Loss (gain) on early extinguishment of debt — convertible notes	4,256	(3,370)
Loss on early extinguishment of debt — revolving credit facility	—	4,881
Unrealized gain on commodity derivatives	(709)	—
Increase in accounts receivable	(262)	(1,677)
Decrease in income taxes receivable	245	—
Decrease (increase) in other current assets	(169)	8
Decrease in other assets	652	155
Increase in other assets held for sale	—	(1,299)
(Decrease) increase in accounts payable and accrued liabilities	(4,747)	1,080
Decrease in deferred lease payable	(78)	—
Increase (decrease) in income taxes payable	6,303	(4,223)
Decrease in liabilities held for sale	—	(5,797)
Decrease in long-term accrued liabilities	8	—
Net cash provided by (used in) operating activities	7,787	(11,166)
Cash flows from investing activities:		
Proceeds from sale of property and equipment	—	121
Additions to property and equipment	(298)	(4,521)
Proceeds from sale of oil and gas properties	—	60,418
Net cash (used in) provided by investing activities	(298)	56,018
Cash flows from financing activities:		
Repayment of convertible notes	(22,231)	(12,661)
Repayment of revolving credit facility	—	(36,372)
Issuance of convertible notes	31,631	
Deferred debt issuance costs	(1,936)	
Proceeds from issuance of common stock, net of equity issuance costs of \$2,489	26,837	(49)
Proceeds from exercise of stock options	15	
Net cash provided by (used in) financing activities	34,316	(49,082)
Net increase (decrease) in cash and cash equivalents	41,805	(4,230)
Effects of foreign currency translation on cash and cash equivalents	3,033	(4)
Cash and cash equivalents, beginning of period	8,712	14,860
Cash and cash equivalents, end of period	<u>\$ 53,550</u>	<u>\$ 10,626</u>
Supplemental disclosures:		
Cash paid during the period for interest, net of interest capitalized	\$ 3,255	\$ 1,669
Cash paid during the period for income taxes	\$ 11	\$ 4,032

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

TOREADOR RESOURCES CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 - BASIS OF PRESENTATION

The consolidated financial statements of Toreador Resources Corporation and subsidiaries (“Toreador,” “we,” “us,” “our,” or the “Company”) included herein have been prepared by the Company without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). They reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the financial position and results of operations for the interim periods, on a basis consistent with the annual audited financial statements. All such adjustments are of a normal recurring nature, unless noted herein. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations. However, the Company believes that the disclosures contained herein are adequate to make the information presented not misleading. These interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2009, which was filed with the SEC on March 16, 2010. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year.

We are a Delaware corporation that was incorporated in 1951. Our common stock is traded on the NASDAQ Global Market under the trading symbol TRGL. Our offices in the United States are located at 13760 Noel Road, Suite 1100, Dallas, TX, 75240-1383 (telephone number: (214) 559-3933). Our principal executive offices are located at c/o Toreador Holding SAS, 9 rue Scribe, 75009 Paris, France (telephone number: +33 1 47 03 34 24). Our website address is www.toreador.net.

Unless otherwise noted, amounts reported in tables are in thousands, except per unit data.

Certain previously recorded amounts at December 31, 2009 have been reclassified to conform to this period presentation.

Revenue Recognition

Our French crude oil production accounts for substantially all of our sales. We sell our French crude oil to Total Raffinage Marketing (“TOTAL”), and recognize the related revenues when the production is delivered to TOTAL’s refinery, typically via truck. At the time of delivery to the plant, title to the crude oil transfers to TOTAL. The terms of the contract with TOTAL state that the price received for oil sold will be the arithmetic mean of all average daily quotations of Dated Brent published in Platt’s Oil Market Wire for the month of production less a specified differential per barrel. The pricing of oil sales is done on the first day of the month following the month of production. In accordance with the terms of the contract, payment is made within six working days of the date of issue of the invoice. The contract with TOTAL is automatically extended for a period of one year unless either party cancels it in writing no later than six months prior to the beginning of the next year.

Taxes associated with production are classified as lease operating expense.

Gain on sales of proved and unproved properties are only recognized when there is no uncertainty about the recovery of costs applicable to interests retained or where there is no substantial obligation for future performance by the Company. Losses on properties sold are recognized when incurred. Any gain or loss is reflected in “Other Income.”

New Accounting Pronouncements

In January 2010, the FASB issued guidance that clarifies and requires new disclosures about fair value measurements. The clarifications and requirement to disclose the amounts and reasons for significant transfers

[Table of Contents](#)

between Level 1 and Level 2, as well as significant transfers in and out of Level 3 of the fair value hierarchy, were adopted by the Company in the first quarter of 2010. The new guidance also requires that purchases, sales, issuances, and settlements be presented gross in the Level 3 reconciliation and that requirement is effective for fiscal years beginning after December 15, 2010 and for interim periods within those years, with early adoption permitted. Adoption of the guidance which only amends the disclosure requirements did not have significant impact on our financial statements.

In February 2010, the FASB issued 2010-09, *Amendments to Certain Recognition and Disclosure Requirements* (“ASU 2010-09”). ASU 2010-09 amends ASC 855, *Subsequent Events*, by removing the requirement for an SEC filer to disclose the date through which subsequent events have been evaluated. Management’s responsibility to evaluate subsequent events through the date of issuance remains unchanged. The Company adopted amendments to the Codification resulting from ASU 2010-09 on February 24, 2010. As ASU 2010-09 relates specifically to disclosures, the adoption of this standard had no impact on our condensed consolidated financial condition, results of operations or cash flows.

On July 21, 2010, the FASB issued ASU 2010-20, *Disclosure about the Credit Quality of Financing Receivables and the Allowance for Credit Losses* (“ASU 2010-20”). ASU 2010-20 amends existing disclosure guidance to require entities to provide extensive new disclosures in their financial statements about their financing receivables, including credit risk exposures and the allowance for credit losses. ASU 2010-20 is effective for fiscal and interim periods beginning after December 15, 2010. The Company will review the requirements under the standards to determine what impacts, if any, the adoption of the standard would have on our condensed consolidated financial statements.

NOTE 2 - CONCENTRATION OF CREDIT RISK AND ACCOUNTS RECEIVABLE

Financial instruments that potentially subject us to a concentration of credit risk consist principally of cash and cash equivalents, accounts receivable, and our hedging and derivative financial instruments. We place our cash with high-credit quality financial institutions. We currently sell oil to one customer, TOTAL. Substantially all of our accounts receivable are due from TOTAL, as purchaser of our oil production, and from our partner Hess Oil France in connection with certain personal general and administrative costs associated with, and invoiced to Hess Oil France pursuant to, the investment agreement dated as of May 10, 2010. We place our hedging and derivative financial instruments with financial institutions and other firms that we believe have high credit ratings.

We periodically review the collectability of accounts receivable and record an allowance for doubtful accounts on those amounts which are, in our judgment, unlikely to be collected. We have not had any significant credit losses in the past and we believe our accounts receivable are fully collectable with the exception of the current allowance.

Accounts receivable consisted of the following:

	September 30, 2010	December 31, 2009
Oil and natural gas sales receivables	\$ 2,130	\$ 2,055
Recoverable VAT	71	636
Other accounts receivable	1,187	436
	<u>\$ 3,388</u>	<u>\$ 3,126</u>

[Table of Contents](#)

NOTE 3 — EARNINGS (LOSS) PER COMMON SHARE

The following table reconciles the numerators and denominators of the basic and diluted earnings (loss) per common share computation:

	Three Months Ended September 30,	
	2010	2009
Basic loss per share:		
Numerator:		
Loss from continuing operations, net of income tax	\$ (2,604)	\$ (1,941)
Loss from discontinued operations, net of income tax	(290)	(10,518)
Net loss available to common shareholders	<u>\$ (2,894)</u>	<u>\$ (12,459)</u>
Denominator:		
Weighted average common shares outstanding	<u>24,660</u>	<u>20,869</u>
Basic loss available to common shareholders per share from:		
Continuing operations	\$ (0.11)	\$ (0.09)
Discontinued operations	(0.01)	(0.50)
	<u>\$ (0.12)</u>	<u>\$ (0.59)</u>
Diluted loss per share:		
Numerator:		
Loss from continuing operations, net of income tax	\$ (2,604)	\$ (1,941)
Loss from discontinued operations, net of income tax	(290)	(10,518)
Net loss available to common shareholders	<u>\$ (2,894)</u>	<u>\$ (12,459)</u>
Denominator:		
Weighted average common shares outstanding	25,917	20,869
Conversion of notes payable	— (1)	— (1)
Diluted shares outstanding	<u>25,917</u>	<u>20,869</u>
Diluted loss available to common shareholders per share from:		
Continuing operations	\$ (0.10)	\$ (0.09)
Discontinued operations	(0.01)	(0.50)
	<u>\$ (0.11)</u>	<u>\$ (0.59)</u>

- (1) Conversion of the Company's 5.00% Convertible Senior Notes due 2025 would be anti-dilutive and the Company's 8.00%/7.00% Convertible Senior Notes due 2025 are not eligible for conversion in 2010 (subject to certain terms and conditions under the Indenture dated as of February 1, 2010), therefore there are no dilutive shares.

[Table of Contents](#)

	Nine Months Ended September 30,	
	2010	2009
Basic loss per share:		
Numerator:		
Loss from continuing operations, net of income tax	\$ (2,795)	\$ (8,464)
Loss from discontinued operations, net of income tax	(1,113)	(11,988)
Net loss available to common shareholders	<u>\$ (3,908)</u>	<u>\$ (20,452)</u>
Denominator:		
Weighted average common shares outstanding	<u>24,393</u>	<u>20,428</u>
Basic loss available to common shareholders per share from:		
Continuing operations	\$ (0.12)	\$ (0.41)
Discontinued operations	(0.05)	(0.59)
	<u>\$ (0.17)</u>	<u>\$ (1.00)</u>
Diluted loss per share:		
Numerator:		
Loss from continuing operations, net of income tax	\$ (2,795)	\$ (8,464)
Loss from discontinued operations, net of income tax	(1,113)	(11,988)
Net loss available to common shareholders	<u>\$ (3,908)</u>	<u>\$ (20,452)</u>
Denominator:		
Weighted average common shares outstanding	25,811	20,428
Conversion of notes payable	<u>— (1)</u>	<u>— (1)</u>
Diluted shares outstanding	<u>25,811</u>	<u>20,428</u>
Diluted loss available to common shareholders per share from:		
Continuing operations	\$ (0.11)	\$ (0.41)
Discontinued operations	(0.04)	(0.59)
	<u>\$ (0.15)</u>	<u>\$ (1.00)</u>

- (1) Conversion of the 5.00% Convertible Senior Notes due 2025 would be anti-dilutive and the 8.00%/7.00% Convertible Senior Notes due 2025 are not eligible for conversion in 2010 (subject to certain terms and conditions under the Indenture dated as of February 1, 2010), therefore there are no dilutive shares.

NOTE 4 — COMPREHENSIVE INCOME (LOSS)

The following table presents the components of comprehensive income (loss), net of related tax:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Net loss	\$ (2,894)	\$ (12,459)	\$ (3,908)	\$ (20,452)
Foreign currency translation adjustment	7,300	(2,034)	848	(4,289)
Comprehensive income (loss)	<u>\$ 4,406</u>	<u>\$ (14,493)</u>	<u>\$ (3,060)</u>	<u>\$ (24,741)</u>

NOTE 5 — LONG-TERM DEBT

Long-term debt consisted of the following:

	September 30, 2010	December 31, 2009
Convertible senior notes	\$ 67,101	\$ 54,616
Less: current portion	<u>(32,385)</u>	<u>(32,385)</u>
Total long-term debt	<u>\$ 34,716</u>	<u>\$ 22,231</u>

Secured Revolving Facility with the International Finance Corporation

On December 28, 2006, we entered into a loan and guarantee agreement with International Finance Corporation. The loan and guarantee agreement provided for a \$25 million facility which was a secured revolving facility with a maximum facility amount of \$25 million which maximum facility amount would have increased to \$40 million when the projected total borrowing base amount exceeds \$50 million. The \$25 million facility was funded on March 2, 2007. The loan and guarantee agreement also provided for an unsecured \$10 million facility which was funded on December 28, 2006. Both the \$25 million facility and the \$10 million facility were to fund our operations in Turkey and Romania.

On March 3, 2009, we repaid and retired the facilities with the International Finance Corporation. The total amount of the payment was \$36.4 million, which comprised \$30 million principal, \$5.9 million additional compensation due under the credit facility as a result of our repayment (such additional compensation calculated under the terms of the credit facility as a percentage of the Company's earnings before interest, tax, depreciation, amortization and exploration expense) and \$500,000 for accrued interest and fees. As a result of the early extinguishment, we recorded a loss of \$4.9 million for the nine months ended September 30, 2009, which was recorded in discontinued operations.

5.00% CONVERTIBLE SENIOR NOTES DUE OCTOBER 1, 2025

On September 27, 2005, we issued \$75 million of Convertible Senior Notes due October 1, 2025 (the "5.00% Convertible Senior Notes") to qualified institutional buyers pursuant to Rule 144A of the Securities Act of 1933, as amended (the "Securities Act").

[Table of Contents](#)

The Company also granted the initial purchasers the option to purchase an additional \$11.25 million aggregate principal amount of 5.00% Convertible Senior Notes to cover over-allotments. The over-allotment option was exercised on September 30, 2005. The total principal amount of 5.00% Convertible Senior Notes issued was \$86.25 million and total net proceeds were approximately \$82.2 million. We incurred approximately \$4.1 million of costs associated with the issuance of the 5.00% Convertible Senior Notes; these costs have been recorded in other assets on the balance sheet and are being amortized to interest expense using the straight-line interest rate method (which approximates the effective interest method) over the term of the 5.00% Convertible Senior Notes (i.e., from issuance to the earliest date on which holders may require the Company to repurchase all or a portion of their 5.00% Convertible Notes, in this case October 1, 2010). See “Note 19 — Subsequent Events.”

The net proceeds were used for general corporate purposes, including funding a portion of the Company’s 2005 and 2006 exploration and development activities.

The 5.00% Convertible Senior Notes bear interest at a rate of 5.00% per annum and can be converted into common stock at an initial conversion rate of 23.3596 shares of common stock per \$1,000 principal amount of 5.00% Convertible Senior Notes (equivalent to a conversion price of approximately \$42.81 per share), subject to adjustment in the event of, among other things, a fundamental change (as defined in the indenture). We could have redeemed the 5.00% Convertible Senior Notes, in whole or in part, on or after October 6, 2008, and prior to October 1, 2010, for cash at a redemption price equal to 100% of the principal amount of 5.00% Convertible Senior Notes to be redeemed, plus any accrued and unpaid interest, if the closing price of our common stock exceeded 130% of the conversion price over a specified period. On or after October 1, 2010, we may redeem the 5.00% Convertible Senior Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of 5.00% Convertible Senior Notes to be redeemed, plus any accrued and unpaid interest, irrespective of the price of our common stock. Holders may convert their 5.00% Convertible Senior Notes at any time prior to the close of business on the business day immediately preceding their stated maturity, and holders may, upon the occurrence of certain fundamental changes, or on October 1, 2010, October 1, 2015, and October 1, 2020, require us to repurchase all or a portion of their 5.00% Convertible Senior Notes for cash in an amount equal to 100% of the principal amount of such 5.00% Convertible Senior Notes, plus any accrued and unpaid interest. See “Note 19 — Subsequent Events.”

During 2008 the Company repurchased \$6 million, face value, of the 5.00% Convertible Senior Notes on the open market for \$5.3 million. In 2009 the Company repurchased \$25.7 million, face value, of the 5.00% Convertible Senior Notes on the open market for \$21.3 million, resulting in a gain on the early extinguishment of debt of \$3.4 million after writing off deferred loan costs of approximately \$1 million. On February 1, 2010, Treador consummated an exchange transaction (the “Convertible Notes Exchange”). In the Convertible Notes Exchange, in exchange for (a) \$22,231,000 principal amount of our outstanding 5.00% Convertible Senior Notes (the “Old Notes”) and (b) \$9.4 million cash, we issued \$31,631,000 aggregate principal amount of our 8.00%/7.00% Convertible Senior Notes, or the New Convertible Senior Notes, and paid accrued and unpaid interest on the Old Notes.

As the debt instruments exchanged in the Convertible Notes Exchange have substantially different terms, the Company recognized the exchange of the 5.00% Convertible Senior Notes as extinguishment of debt. As a result, for the nine months ended September 30, 2010, the Company recognized a loss of \$4.3 million including write off of loan original fee of \$822,000 for the debt extinguishment. The New Convertible Senior Notes are recorded at a fair value of \$35,065,000 on the date of exchange. The accretion expense on the Convertible Notes Exchange, which was determined using fair market value of the New Convertible Senior Notes, will be amortized to income over their term. The accretion impact (positive) of \$348,430 was recorded for the nine months ended September 30, 2010.

As of September 30, 2010, approximately \$32.4 million principal aggregate amount of the 5.00% Convertible Senior Notes was outstanding.

On October 1, 2010, the Company repurchased \$32,256,000 principal amount of the 5.00% Convertible Senior Notes. See “Note 19 — Subsequent Events” for further information.

8.00%/7.00% CONVERTIBLE SENIOR NOTES DUE OCTOBER 1, 2025

On February 1, 2010, Treador consummated the Convertible Notes Exchange. In the Convertible Notes Exchange, in exchange for (a) the Old Notes and (b) \$9.4 million cash, we issued \$31,631,000 aggregate principal amount of the New Convertible Senior Notes and paid accrued and unpaid interest on the Old Notes.

[Table of Contents](#)

We incurred approximately \$1.9 million of costs associated with the issuance of the New Convertible Senior Notes; these costs have been recorded in other assets on the balance sheets and are being amortized to interest expense using the straight-line interest rate method (which approximates the effective interest method) over the term of the New Convertible Senior Notes (i.e., from issuance to the earliest date on which holders may require the Company to repurchase all or a portion of their New Convertible Senior Notes, in this case October 1, 2013).

The New Convertible Senior Notes are senior unsecured obligations of the Company, ranking equal in right of payment with the Company's 5.00% Convertible Senior Notes and future unsubordinated indebtedness. The New Convertible Senior Notes will mature on October 1, 2025 and pay annual cash interest at 8.00% from February 1, 2010 until January 31, 2011 and at 7.00% per annum thereafter. Interest on the New Convertible Senior Notes will be payable on February 1 and August 1 of each year, beginning on August 1, 2010.

The New Convertible Senior Notes are convertible prior to February 1, 2011 only if an event of default occurs and is continuing under the terms of the indenture, upon a change of control (as defined in the indenture) and to the extent the Company elects to redeem the New Convertible Senior Notes in a Provisional Redemption (as defined below). The New Convertible Senior Notes are convertible at any time on or after February 1, 2011 and before the close of business on October 1, 2025.

The New Convertible Senior Notes are convertible into shares of our common stock at an initial conversion rate of 72.9927 shares of common stock per \$1,000 principal amount of New Convertible Senior Notes (which is equivalent to an initial conversion price of \$13.70 per share), subject to adjustment upon certain events. Under the terms of the indenture governing the New Convertible Senior Notes, if on or before October 1, 2010, we sold shares of our common stock in an equity offering or an equity-linked offering (other than for compensation), for cash consideration per share such that 120% of the issuance price was less than the conversion price of the New Convertible Senior Notes then in effect, the conversion price was to be reduced to an amount equal to 120% of such offering price. As a result of our February 2010 public offering, the conversion rate of the New Convertible Senior Notes adjusted to 98.0392 shares of common stock per \$1,000 principal amount of New Convertible Senior Notes (which is equivalent to a conversion price of approximately \$10.20 per share). Pursuant to the indenture, the conversion price of the New Convertible Senior Notes will not be further adjusted under such provision because the proceeds from the public offering were in excess of \$20 million.

The New Convertible Senior Notes may be redeemed in whole or in part at the Company's option prior to October 1, 2013, in cash at a redemption price equal to one hundred percent (100%) of the principal amount of the New Convertible Senior Notes redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date plus a make-whole payment, if the closing sale price of the Company's common stock has exceeded 200% of the conversion price then in effect for at least twenty (20) trading days in any consecutive thirty (30)-trading day period ending on the trading day prior to the date of mailing of the relevant notice of redemption (a "Provisional Redemption"). The New Convertible Senior Notes may be redeemed in whole or in part at the Company's option on or after October 1, 2013 for cash at a redemption price equal to 100% of the principal amount of the New Convertible Senior Notes redeemed, plus any accrued and unpaid interest to, but excluding, the redemption date. In addition, upon the occurrence of certain fundamental changes, or on each of October 1, 2013, October 1, 2015 and October 1, 2020, a holder may require the Company to repurchase all or a portion of the New Convertible Senior Notes in cash for 100% of the principal amount of the New Convertible Senior Notes to be purchased, plus any accrued and unpaid interest to, but excluding, the purchase date.

Pursuant to the indenture, the Company and its subsidiaries may not incur debt other than Permitted Indebtedness. "Permitted Indebtedness" includes (i) the New Convertible Senior Notes; (ii) the 5.00% Convertible Senior Notes or any indebtedness of the Company that serves to refund or refinance the 5.00% Convertible Senior Notes ("Refinancing Debt"), so long as the principal amount of the Refinancing Debt does not exceed the outstanding principal amount of the 5.00% Convertible Senior Notes; (iii) indebtedness incurred by the Company or its subsidiaries not to exceed the sum of (i) the product of (x) \$7.00 and (y) the number of barrels of proved plus probable reserves and (ii) cash equivalents less the aggregate principal amount of the New Convertible Senior Notes outstanding less the aggregate principal amount of the 5.00% Convertible Senior Notes less any Refinancing Debt; (iv) indebtedness that is nonrecourse to the Company or any of its subsidiaries used to finance projects or acquisitions, joint ventures or partnerships, including acquired indebtedness ("Nonrecourse Debt"); and (v) certain other customary categories of permitted debt. In addition, the Company may not permit its total consolidated net debt as of any date to exceed the product of (x) \$7.00 and (y) the number of barrels of proved plus probable reserves other than for Nonrecourse Debt. The proved plus probable reserves underlying any Nonrecourse Debt for which debt has been incurred as permitted debt pursuant to clause (iv) above will be excluded from the proved plus probable reserves calculation for the purposes of the above debt covenants.

CHANGE IN AMORTIZATION OF ISSUE PREMIUM AND DEBT ISSUANCE COSTS

The Company reviews the estimated lives of its assets and liabilities and related amortization period on an ongoing basis. This review indicated that the estimated amortization period of the Company’s issue premium and debt issuance costs were deemed to be shorter than the previously assigned amortization period. As a result, effective July 1, 2010, the Company changed its estimates for the amortization period of its issue premium and debt issuance costs to reflect the first put option date of the related callable debt. This change in estimate resulted from a change in the pattern of recognition of those expenses resulting from the repurchase option for the 5.00% Convertible Senior Notes on October 1, 2010.

Based on this early redemption, the Company has decided that for a debt instrument that is puttable by the holder prior to the debt’s stated maturity date, it is preferable to amortize the related issuance costs and purchase premium over a period no longer than through the first put option date. The issue premium on the Convertible Notes Exchange and the costs associated with the issuance of its convertible senior notes will now be amortized using the straight-line interest rate method (which approximates the effective interest method) over the term of the first puttable dates of these callable debts. In all prior periods, the issue premium and the debt issuance costs were amortized over the terms of the debt issuance (i.e., October 1, 2025 for both the 5.00% Convertible Senior Notes and the New Convertible Senior Notes). The effect of this change in estimate was to increase the interest expense by \$1,260,060, increase the accretion impact (positive) by \$202,314 (or increase net loss for \$1,057,746) and decrease basic and diluted earnings per share by \$0.04 for the three months ended September 30, 2010.

NOTE 6 — ASSET RETIREMENT OBLIGATIONS

We account for our asset retirement obligations in accordance with ASC 410, “Asset Retirement and Environmental Obligations”, which requires us to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes a cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, we either settle the obligation for its recorded amount or incur a gain or loss upon settlement.

As of September 30, 2010, we updated our asset retirement obligations and assets based on the last reserve life estimates available to the Company. The effect of this change in estimate was to decrease our asset retirement obligation by \$2,582,000 and decrease our asset retirement obligations assets for the same amount.

The following table summarizes the changes in our asset retirement liability during the nine months ended September 30, 2010 and for the year ended December 31, 2009:

	Nine Months Ended September 30, 2010	Year Ended December 31, 2009
Asset retirement obligation at January 1	\$ 6,733	\$ 6,037
Asset retirement accretion expense	189	507
Foreign currency exchange loss (gain)	(331)	189
Change in reserve life estimate	(2,582)	—
Property dispositions	—	—
Asset retirement obligation at the end of the period	<u>\$ 4,009</u>	<u>\$ 6,733</u>

NOTE 7 — GEOGRAPHIC OPERATING SEGMENT INFORMATION

We have operations in only one industry segment, the oil and natural gas exploration and production industry. We are structured along geographic operating segments or regions, and currently have operations in the United States and France and had operations in Hungary in 2009.

The following tables provide the geographic operating segment data required by ASC 280, “Segment Reporting”.

Three Months Ended September 30, 2010

	United States	France	Total
Revenues and other income	\$ 7	\$ 6,556	\$ 6,563
Costs and expenses	1,825	4,103	5,928
Operating income (loss)	<u>\$ (1,818)</u>	<u>\$ 2,453</u>	<u>\$ 635</u>

Three Months Ended September 30, 2009

	United States	France	Hungary	Total
Revenues and other income	\$ 63	\$ 5,141	\$ —	\$ 5,204
Costs and expenses	3,307	3,705	—	7,012
Operating income (loss)	<u>\$ (3,244)</u>	<u>\$ 1,436</u>	<u>\$ —</u>	<u>\$ (1,808)</u>

Nine Months Ended September 30, 2010

	United States	France	Total
Revenues and other income	\$ 16	\$ 33,004	\$ 33,020
Costs and expenses	6,124	14,050	20,174
Operating income (loss)	<u>\$ (6,108)</u>	<u>\$ 18,954</u>	<u>\$ 12,846</u>

Nine Months Ended September 30, 2009

	United States	France	Hungary	Total
Revenues and other income	\$ 338	\$ 12,879	\$ —	\$ 13,217
Costs and expenses	12,850	11,501	—	24,351
Operating income (loss)	<u>\$ (12,512)</u>	<u>\$ 1,378</u>	<u>\$ —</u>	<u>\$ (11,134)</u>

	Total Assets (1)		
	United States	France	Total
	Continuing Operations		Total
September 30, 2010	\$ 36,945	\$ 95,333	\$ 132,278
December 31, 2009	\$ 6,552	\$ 90,603	\$ 97,155

(1) All intercompany accounts and transactions are eliminated in consolidation.

NOTE 8 — INCOME TAXES AND DEFERRED INCOME TAXES

We are subject to income taxes in the United States and France. The current provision for taxes on income consists primarily of income taxes based on the tax laws and rates of the two countries in which operations were conducted during the three month period ended September 30, 2010. Deferred income taxes are determined under the liability method, based on differences between financial reporting and income tax basis of assets and liabilities and are measured using the enacted tax rates and laws. The measurement of deferred tax assets is adjusted by a valuation allowance, if necessary, to reduce the future tax benefits to the amount, based on available evidence it is more likely than not deferred tax assets will be realized.

[Table of Contents](#)

At September 30, 2010, we recorded a \$6.3 million income tax payable as we expect to owe income tax within the next 12 months. The increase of tax provision associated with French operations is mainly due to the \$15 million upfront payment received by TEF from Hess under the Investment Agreement (See “Note 16 — Agreement with Hess”). For the nine months ended September 30, 2010 and 2009 we paid income taxes of approximately \$11,000 (with respect to income earned in 2009) and \$4 million (with respect to income earned in 2008) respectively, related to French taxable income. The decrease in taxes paid in 2010 as compared to 2009 is due to higher taxable income for French operations in 2008. As of September 30, 2010, our French operations recorded a \$5.8 million tax provision, and the U.S. operations recorded a tax benefit of \$87,012 which resulted in a consolidated tax payable of \$5.7 million.

As of September 30, 2010 and December 31, 2009, we recorded a \$14.9 million and \$15.4 million, respectively, deferred income taxes related to differences in oil and gas property capitalization and depletion methods.

We have adopted ASC 740 “Income Taxes”, formerly FIN No. 48, “Accounting for Uncertainty in Income Taxes”, on January 1, 2007. There are no tax positions for which a material change in the unrecognized tax benefit is reasonably possible in the next 12 months.

The Company recognizes potential accrued interest and penalties related to unrecognized tax benefits within its global operations in income tax expense. During the nine months ended September 30, 2010, the Company recognized no potential interest and penalties associated with uncertain tax positions. To the extent interest and penalties are not assessed with respect to uncertain tax positions, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision.

In addition to U.S. federal tax returns, we file several state and foreign tax returns, many of which remain open for examination for five years.

NOTE 9 — CAPITAL

For the nine months ended September 30, 2010, the Company issued 266,750 shares of stock to employees and directors, of which 132,733 shares were immediately vested in accordance with the terms of the grants and 5,000 stock options were exercised under the terms of the option agreements. There were no forfeitures of restricted stock and stock options for the nine months ended September 30, 2010.

On February 12, 2010, we completed a registered underwritten public offering of 3,450,000 shares of common stock, including 450,000 shares of common stock acquired by the underwriters from us to cover over-allotment options. The net proceeds to Toredor from the offering were approximately \$26.8 million, after deducting underwriting discounts, commissions and estimated offering expenses. We intended to use the net proceeds, together with cash on hand, to satisfy payment obligations arising from the holders’ exercise, if any, of their right on October 1, 2010 to require the Company to repurchase its 5.00% Convertible Senior Notes and for general corporate purposes, which may include working capital, capital expenditures and acquisitions. Pending such use, we invested the net proceeds in mutual and money market funds and/or bank certificates of deposit. As of September 30, 2010, approximately \$32.4 million principal aggregate amount of the 5.00% Convertible Senior Notes was outstanding. On October 1, 2010, the Company repurchased \$32,256,000 principal amount of the 5.00% Convertible Senior Notes. See “Note 19 — Subsequent Events” for further information.

NOTE 10 — CAPITALIZED INTEREST

We capitalize interest on major projects that require an extended period of time to complete. Capitalized interest for the three months ended September 30, 2010 and 2009 was \$0 and \$118,000 respectively. Capitalized interest for the nine months ended September 30, 2010 and 2009 was \$0 and \$355,000, respectively.

NOTE 11 — COMMITMENTS AND CONTINGENCIES

In 2005, two separate incidents occurred offshore Turkey in the Black Sea, which resulted in the sinking of two caissons (the “Fallen Structures”) and the loss of three natural gas wells. The Company has not been requested to or ordered by any governmental or regulatory body to remove the caissons. Therefore, the Company believes that the likelihood of receiving such a request or order is remote and no liability has been recorded. In connection with the Company’s sale of its 26.75% interest in the South Akcakoca Sub-Basin (“SASB”) to Petrol Ofisi in March 2009 and its sale of Toreador Turkey Ltd. (“Toreador Turkey”) to Tiway Oil BV (“Tiway”) in October 2009, the Company agreed to indemnify Petrol Ofisi and Tiway, respectively, against and in respect of any claims, liabilities and losses arising from the Fallen Structures. The Company has also agreed to indemnify a third-party vendor for any claims made related to these incidents.

On October 16, 2003, we entered into an agreement (the “Netherby Agreement”) with Phillip Hunnisett and Roy Barker (“Hunnisett and Barker”), pursuant to which Hunnisett and Barker agreed to post the collateral required by the Turkish government for Madison Oil Turkey Inc. (a Liberian company later reincorporated in the Cayman Islands as Toreador Turkey) (“Madison Oil”) to retain its 36.75% interest in relation to eight offshore exploration SASB licenses in exchange for a 1.5% gross overriding royalty interest (the “Overriding Royalty”) on the net value to Madison Oil of all future production, if any, deriving from Madison Oil’s interest in such SASB licenses. Since March 2009, we have corresponded with Hunnisett and Barker regarding a dispute over the amount of the compensation payable by us to Hunnisett and Barker under the Netherby Agreement as a result of Toreador Turkey’s sale of a 26.75% interest in the SASB licenses to Petrol Ofisi in March 2009 (the “Netherby Payment Amount”). Hunnisett and Barker have contended that the Netherby Payment Amount could be up to \$10.4 million; however, we do not believe that Hunnisett and Barker are entitled to such amount.

On September 30, 2009, we completed the sale of Toreador Turkey, including with it Toreador Turkey’s remaining 10% interest in the SASB license, to Tiway. In connection with this sale, we agreed to indemnify Tiway against and in respect of any and all claims, liabilities, and losses arising from the Overriding Royalty. TRC is treating the said indemnity as extending to claims against Tiway Turkey Ltd (previously Tiway Turkey Ltd) as well. As of September 30, 2010, we had accrued approximately \$880,000 (recorded under long-term accrued liabilities) as a contingent liability for these claims, and the expense of legal cost of \$106,000. See “Note 12 — Discontinued Operations”.

As of September 30, 2010, we also accrued \$220,000 (recorded under accounts payable and accrued liabilities) as a provision for the 1.5% Overriding Royalty the Company will have to pay on the net value to Hunnisett and Barker of all future production, if any, deriving from Madison Oil’s interest in such SASB licenses.

On September 6, 2010, English High Court proceedings were commenced by Hunnisett and Barker, as well as Netherby Investments Limited against Tiway Turkey Limited (previously Toreador Turkey Limited) and TRC. The proceedings were served on TRC on October 20, 2010 but so far as TRC is aware have not yet been served on Tiway Turkey Limited. In the said proceedings, Hunnisett and Barker now argue that an agreement was reached between the parties around November 2008 regarding the Netherby Payment Amount in the sum of \$7.2 million. In addition they argue that on a proper construction of the Netherby Agreement, they are entitled to continuing Overriding Royalty including on the 26.75% interest in the SASB licenses that was sold to Petrol Ofisi in March 2009 and/or to a capitalized sum of “not less than” \$7.2 million. In addition or in the alternative, Hunnisett and Barker raise a wholly new claim for rectification of the Netherby Agreement on the basis they claim it does not reflect the true agreement of the parties. They seek rectification of the Netherby Agreement so that upon a sale such as the sale of the 26.75% interest in the SASB licenses that was sold to Petrol Ofisi in March 2009, the Netherby Agreement parties are required to first agree on a capitalized sum to be paid to Hunnisett and Barker. Hunnisett and Barker also seek costs and interest. The Company does not believe that any agreement was ever reached entitling Hunnisett and Barker to the payment of the said sum of \$7.2 million. The Company also does not agree with Hunnisett and Barker’s proposed construction of the Netherby Agreement. We are currently considering the new claim for rectification with our legal advisers but we intend to vigorously defend ourselves against any claim for payment of an amount in excess of the amount to which we believe that Hunnisett and Barker are entitled.

On June 17, 2009, The Scowcroft Group, Inc. (“Scowcroft”) filed a complaint in the U.S. District Court for the District of Columbia against us. The complaint alleged that we breached a contract (the “Scowcroft Contract”) between Scowcroft and us relating to the sale of our interests in the SASB and that Scowcroft was entitled to a success fee thereunder as a result of the sale of our interests in the SASB to Petrol Ofisi in March 2009.

[Table of Contents](#)

The complaint also alleged unjust enrichment/quantum meruit and fraud. Scowcroft sought damages in the amount of \$2 million plus interest, costs and expenses. On April 30, 2010, Toreador and Scowcroft executed a settlement agreement (the “Settlement Agreement”), pursuant to which Toreador agreed to pay Scowcroft \$495,000 and, subject to receipt of such payment, Scowcroft agreed to take actions to dismiss the suit and the parties agreed to a mutual release with respect to claims relating to the Scowcroft Contract. On April 30, 2010, Toreador made the settlement payment and the parties filed a stipulation of dismissal of the action. As of September 30, 2010, \$657,000 has been expensed in discontinued operations consequently, consisting of the settlement amount and associated legal costs.

On January 25, 2010, we received a claim notice from Tiway under the Share Purchase Agreement, dated September 30, 2009, among us, Tiway Oil AS and Tiway relating to the sale of Toreador Turkey Ltd. (the “SPA”) in respect of a third-party claim asserted by Petrol Ofisi against Toreador Turkey Ltd. in the amount of TRY 7.6 million (\$5.1 million), for which Tiway alleges we are liable for an estimated TRY 2.1 million (\$1.4 million). No formal legal evaluation can be made at this time as to the extent of the Company’s liability, if any. On July 20, 2010, the Court appointed three experts to evaluate the case. A hearing was held on November 2, 2010, at which the Court adjourned pending the issuance of the experts’ report. The next hearing is scheduled for on February 1, 2011.

On October 6, 2010, Toreador received a claim notice from Tiway under the SPA in respect of an arbitration initiated by Türkiye Petrolleri A.O. (“TPAO”) against Tiway relating to alleged damages and losses suffered in connection with the Akçakoca-Çayağzi Pipeline Construction Project in 2005. Tiway asserts in the letter that the total relief sought is \$2,993,038. We believe the arbitration initiated by TPAO is without merit.

Toreador Energy France SCS (“TEF”) executed on August 6, 2010 an indemnification and guarantee agreement for a maximum aggregate amount of €50 million first demand guarantee to cover Lundin International (“Lundin”) against any claim by a third party arising from drilling works executed by TEF as operator on the Mairy permit. The title to the Mairy permit was awarded to Lundin, TEF and EnCore (E&P) Ltd jointly in August 2007. Earlier this year Lundin communicated its desire to withdraw from the permit on which no drilling works had been performed and consequently assigned its working interest of 40% in equal parts to TEF and EnCore (E&P) Ltd. TEF subsequently assigned half of its now 50% working interest to Hess Oil France SAS by virtue of the Investment Agreement. Under French mining law, all titleholders are held jointly and severally responsible for all damages and claims relating to works on a permit. Therefore, under the indemnification and guarantee agreement, TEF agreed to indemnify Lundin upon notice of any liability or claim for damages by a third party against Lundin in connection with works performed by TEF on the Mairy permit from February 15, 2010 until the transfer of title of such permit is formally accepted by the French government. No works are expected to begin on the permit, if at all, prior to the second half of 2011, therefore no claims have been made or are currently anticipated under this agreement.

From time to time, we are named as a defendant in other legal proceedings arising in the normal course of business. In our opinion, the final judgment or settlement, if any, which may be awarded with any suit or claim would not have a material adverse effect on our financial position

On December 11, 2008, TEF filed an application for the extension of the validity of Châteaurenard Concession and the Saint-Firmin-des-Bois Concession for a period of 25 years. Pursuant to French law governing mines and underground storage, the French Minister in charge of energy must decide upon renewal of such concessions within a period of two years from the date the applications were filed, which requires the approval of both the *Conseil Général de l’Industrie, de l’Energie et des Technologies* and of the *Conseil d’Etat* (i.e. the French administrative supreme body). The *Conseil Général de l’Industrie, de l’Energie et des Technologies* approved the renewal of the Châteaurenard Concession and the Saint-Firmin-des-Bois Concession on October 11, 2010. In accordance with French law, the renewal of such concessions is now under review by the *Conseil d’Etat*. The main criteria for renewal are the technical and financial capacities of the applicant.

NOTE 12 — DISCONTINUED OPERATIONS

In the fourth quarter of 2008 and during the first quarter of 2009, Toreador farmed out or sold all of its working interests in Romania to three different companies and closed its office; thus, we no longer have any operational involvement in Romania. This resulted in a gain of \$5.8 million, which was recorded in the first quarter of 2009.

[Table of Contents](#)

On March 3, 2009 we completed the sale of a 26.75% interest in the South Akcakoca Sub-Basin (SASB) project associated licenses located in the Black Sea offshore Turkey, to Petrol Ofisi for \$55 million. In accordance with the revised assignment announced on February 3, 2009, \$50 million of the proceeds was paid by Petrol Ofisi on March 3, 2009, and the remaining \$5 million was paid on September 1, 2009. There was no gain or loss resulting from this sale.

On September 30, 2009, the Company entered into a Share Purchase Agreement (the “Share Purchase Agreement”) with Tiway Oil BV, a company organized under the laws of the Netherlands (“Tiway”), and Tiway Oil AS, a company organized under the laws of Norway, pursuant to which the Company agreed to sell 100% of the outstanding shares of Toreador Turkey to Tiway for total consideration consisting of: (1) a cash payment of \$10.5 million to be paid at closing, (2) exploration success payments dependent upon certain future commercial discoveries as provided in the Share Purchase Agreement, up to a maximum aggregate consideration of \$40 million, and (3) future quarterly 10% pre-tax net profit interest payments if a field goes into production that was discovered by an exploration well drilled within four years of closing on certain of the licenses then still held by Tiway. The sale of Toreador Turkey was completed on October 7, 2009 and resulted in a gain of \$1.8 million.

As of September 30, 2010, we had accrued approximately \$880,000 as a contingent liability for indemnification claims in connection with the sales referred above and legal costs expense of \$106,000 (See “Note 11 — Commitments and Contingencies”). In addition, we recorded \$81,000 in discontinued operations for payments made to Hunnisett and Barker with regard to the Overriding Royalty.

On September 30, 2009, the Company entered into a Quota Purchase Agreement (the “Quota Purchase Agreement”) with RAG (Rohöl Aufsuchungs Aktiengesellschaft), a corporation organized under the laws of Austria (“RAG”), pursuant to which the Company agreed to sell 100% of its equity interests in Toreador Hungary Limited to RAG for total consideration consisting of (1) a cash payment of \$5.4 million (€ 3.7 million) paid at closing, (2) \$435,000 (€ 300,000), which was held back subject to a post-closing adjustment and was paid to us on November 5, 2009 and (3) a contingent payment of \$2.9 million (€2 million) to be paid upon post-transaction completion of agreements relating to certain assets of Toreador Hungary. The sale of Toreador Hungary was completed on September 30, 2009 and resulted in a loss of \$4.1 million.

The results of operations of assets in Romania, Turkey and Hungary have been presented as discontinued operations in the accompanying consolidated statement of operations. Results for these assets reported as discontinued operations were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Revenue and other income				
Sales and other operating revenue	\$ —	\$ 1,632	\$ —	\$ 4,545
Operating costs and expenses:				
Lease operating expense	—	381	—	886
Exploration expense	—	136	—	868
Dry hole costs	—	1,318	—	1,318
Depreciation, depletion and amortization	—	52	—	157
Accretion on discounted assets and liabilities	—	—	—	—
Impairment of oil and natural gas properties	—	5,425	—	10,725
General and administrative expense	106	1,720	763(1)	3,424
(Gain) loss on sale of properties and other assets	—	4,171	—	(1,675)
Total operating costs and expenses	—	13,203	763	15,703
Operating loss	(106)	(11,571)	(763)	(11,158)
Other income (expense)				
Foreign currency exchange gain	—	1,190	—	3,822
Interest and other income	—	18	—	414
Loss on early extinguishment of debt — revolving credit facility	—	—	—	(4,881)
Other expense	81	—	246	—
Interest expense, net of interest capitalized	—	(155)	—	(185)
Loss before income taxes	(187)	(10,518)	(1,009)	(11,988)
Income tax provision	(104)	—	(104)	—
Net loss from discontinued operations	<u>\$ (291)</u>	<u>\$ (10,518)</u>	<u>\$ (1,113)</u>	<u>\$ (11,988)</u>

(1) Residual exit costs.

NOTE 13 — DERIVATIVES

We periodically utilize derivative instruments such as futures and swaps for purposes of hedging our exposure to fluctuations in the sale price of crude oil. In December 2009, we entered into futures and swap contracts for approximately 15,208 Bbls per month for the months of January 2010 through December 2010. This resulted in a net unrealized derivative fair value gain of \$709,000 at September 30, 2010. Presented in the table below is a summary of the contracts entered into for 2010:

Type	Period	Barrels	Floor	Ceiling	Unrealized loss for the three months ended September 30, 2010
Collar	January 1, 2010 - December 31, 2010	182,500	\$ 68.00	\$ 81.00	\$ 105

On November 2, 2010, we entered into futures and swaps contracts for 2011. See “Note 19 — Subsequent Events” for further information.

NOTE 14 — FAIR VALUE MEASUREMENTS

The carrying amounts of financial instruments including cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued liabilities approximate fair value at September 30, 2010 and December 31, 2009, due to the short-term nature or maturity of the instruments.

Long-term debt approximated fair value based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same maturities.

On September 30, 2010, the 5.00% Convertible Senior Notes, which had a book value of \$35.0 million, were trading at \$95.2, which would equal a fair market value of approximately \$31 million.

On December 31, 2009, the 5.00% Convertible Senior Notes, which had a book value of \$54.6 million, were trading at or near par value, which would equal a fair market value of approximately \$54.6 million.

On September 30, 2010, the New Convertible Senior Notes, which had a book value of \$31.6 million, were trading at \$114.71 which would equal a fair market value of approximately \$36.3 million.

[Table of Contents](#)

ASC 820 “Fair value measurements and disclosures,” formerly SFAS No. 157, establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three levels. The fair value hierarchy gives the highest priority to quoted market prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Level 2 inputs are inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly.

Certain assets and liabilities are reported at fair value on a nonrecurring basis in our consolidated balance sheets. The following methods and assumptions were used to estimate the fair values:

Asset Impairments - The Company reviews a proved oil and gas property for impairment when events and circumstances indicate a possible decline in the recoverability of the carrying value of such property. We estimate the undiscounted future cash flows expected in connection with the property and compare such undiscounted future cash flows to the carrying amount of the property to determine if the carrying amount is recoverable. If the carrying amount of the property exceeds its estimated undiscounted future cash flows, the carrying amount of the property is reduced to its estimated fair value. Fair value may be estimated using comparable market data, a discounted cash flow method, or a combination of the two. In the discounted cash flow method, estimated future cash flows are based on management’s expectations for the future and include estimates of future oil and gas production, commodity prices based on commodity futures price strips as of the date of the estimate, operating and development costs, and a credit risk-adjusted discount rate.

The impairment charge in Turkey of \$5.3 million which is recorded in discontinued operations for the period ended September 30, 2009, is a result of a decline in the fair market value of the Company’s interest in South Akcakoca Sub-Basin asset. The fair market value declined during the first quarter of 2009 due to a 25.00% reduction in the posted sales price of natural gas produced in Turkey announced on May 1, 2009.

Goodwill - We account for goodwill in accordance with FASB Accounting Standards Codification No. 350 “*Intangibles-Goodwill and Other*” (“ASC 350”). Under ASC 350, goodwill and indefinite-lived intangible assets are not amortized but are reviewed annually (or more frequently if impairment indicators arise) for impairment. Goodwill fair value is estimated using discounted cash flow method.

Asset Retirement Obligations — The initial measurement of asset retirement obligations at fair value is calculated using cash flows techniques and based on internal estimates of future retirement costs associated with oil and gas properties. Significant Level 3 inputs used in the calculation of asset retirement obligations include plugging costs and reserve lives. A reconciliation of the Company’s asset retirement obligation is presented in “Note 6 — Asset Retirement Obligations”.

Effective January 1, 2008, we adopted the authoritative guidance that applies to all financial assets and liabilities required to be measured and reported on a fair value basis. Beginning January 1, 2009, we also applied the guidance to non-financial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The guidance requires disclosure that establishes a framework for measuring fair value expands disclosure about fair value measurements and requires that fair value measurements be classified and disclosed in one of the following categories:

- Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. We consider active markets as those in which transactions for the assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2: Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability. This category includes those derivative instruments that we value using observable market data. Substantially all of these inputs are observable in the marketplace throughout the full term of the derivative instrument, can be derived from observable data or supported by observable levels at which transactions are executed in the market place. Instruments in this category include non-exchange traded derivatives such as over-the-counter commodity price swaps, certain investments and interest rate swaps.

[Table of Contents](#)

Level 3: Measured based on prices or valuation models that require inputs that are both significant to the fair value measurement and less observable from objective sources (i.e., supported by little or no market activity). Our valuation models for derivative contracts are primarily industry-standard models (i.e., Black-Scholes) that consider various inputs including: (a) quoted forward prices for commodities, (b) time value, (c) volatility factors, (d) counterparty credit risk and (e) current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Level 3 instruments primarily include derivative instruments, such as basis swaps, commodity price collars and floors and accrued liabilities. Although we utilize third-party broker quotes to assess the reasonableness of our prices and valuation techniques, we do not have sufficient corroborating market evidence to support classifying these assets and liabilities as Level 2.

Measurement information for assets that are measured at fair value on a non-recurring basis was as follows:

Description	Fair Value Measurement	Fair Value Measurements Using			Total Impairment Loss
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2) (in thousands)	Significant Unobservable Inputs (Level 3)	
Nine Months Ended September 30, 2010					
8.00/7.00% Convertible Senior Notes	\$ 35,065	—	—	\$ 35,065	\$ —
Nine Months Ended September 30, 2009					
Impaired oil and natural gas properties	\$ 16,507	—	—	\$ 16,507	\$ (10,725)

The following table summarizes the valuation of our investments and financial instrument assets (liabilities) measured on a recurring basis at fair value by pricing levels:

	Fair Value Measurement Using			Total
	(Level 1)	(Level 2)	(Level 3)	
As September 30, 2010:				
Oil derivative contracts	\$ —	\$ —	\$ 177	\$ 177
Total	\$ —	\$ —	\$ 177	\$ 177
As December 31, 2009:				
Oil derivative contracts	\$ —	\$ —	\$ 886	\$ 886
	\$ —	\$ —	\$ 886	\$ 886

[Table of Contents](#)

The table below summarizes the change in carrying values associated with Level 3 financial instruments:

	Nine Months Ended September 30, 2010	Year ended December 31, 2009
	Oil Derivative Contracts	Oil Derivative Contracts
Balance at beginning of period	\$ 886	\$ —
Unrealized (gain) loss	(709)	886
Balance at end of period	<u>\$ 177</u>	<u>\$ 886</u>

NOTE 15 — IMPAIRMENT OF ASSETS

We evaluate producing property costs for impairment and reduce such costs to fair value if the sum of expected undiscounted future cash flows is less than net book value pursuant to FASB ASC 360 “Property, Plant and Equipment,” formerly Statement of Financial Accounting Standard No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets” (“Statement 144”). We assess impairment of non-producing leasehold costs and undeveloped mineral and royalty interests periodically on a field-by-field basis. We charge any impairment in value to expense in the period incurred. For the three and nine months ended September 30, 2010, there was no impairment charge for our continuing operations and discontinued operations.

The impairment charge in Turkey of \$5.3 million (included in discontinued operations), as of September 30, 2009, was a result of a decline in the fair market value of the Company’s interest in South Akcakoca Sub-Basin asset. The fair market value declined during the first quarter of 2009 due to a 25.00% reduction in the posted sales price of natural gas produced in Turkey announced on May 1, 2009.

In the third quarter of 2009, the Company decided not to proceed with the construction of the Kiha pipeline in Hungary, due to the poor results of the Tompa Deep well and the impending sale of Toreador Hungary, which was completed on September 30, 2009. This resulted in an impairment of \$5.4 million (included in discontinued operations) which represented our share of costs capitalized for the pipeline and the previously drilled Kiha 15 well.

NOTE 16— AGREEMENT WITH HESS

On May 10, 2010, Toreador Energy France S.C.S. (“TEF”), a company organized under the laws of France and an indirect subsidiary of the Company, entered into an Investment Agreement (the “Investment Agreement”) with Hess Oil France S.A.S. (“Hess”), a company organized under the laws of France and a wholly owned subsidiary of Hess Corporation, a Delaware corporation, pursuant to which (x) Hess becomes a 50% holder of TEF’s working interests in its awarded and pending exploration permits in the Paris Basin, France (the “Permits”) subject to fulfillment of Work Program (as described in (y) (2) hereafter) and (y) (1) Hess must make a \$15 million upfront payment to TEF, (2) Hess will have the right to invest up to \$120 million in fulfillment of a two-phase work program (the “Work Program”) and (3) TEF would be entitled to receive up to a maximum of \$130 million of success fees based on reserves and upon the achievement of an oil production threshold, each as described more fully below.

The *Ministère de l’Ecologie, de l’Energie, du Développement Durable et de la Mer* (Ministry of Ecology, Energy, Sustainable Development and the Sea) in France granted first-stage approval on June 25, 2010. An application for the grant to Hess of title (together with TEF) on each of the pending exploration permits in the Paris Basin has also been filed with the French Government.

Pursuant to the Investment Agreement, TEF has transferred 50% of its working interest in each Permit to Hess (collectively, the “Transfer Working Interests”) and, on June 10, 2010, Hess paid TEF \$15 million plus VAT, i.e., an aggregate amount of \$17.9 million (such payment having been recorded as other income for the nine months period ended September 30, 2010 as this revenue is not subject to any further obligation or performance by the Company nor is it dependent upon any approval).

Under the terms of the Investment Agreement, Phase 1 of the Work Program is expected to consist of an evaluation of the acreage underlying the Permits and the drilling of six wells. The parties have agreed to use reasonable endeavors to spud the first well by December 1, 2010, the second well by the March 31, 2011 and the third well by September 30, 2011. If Hess does not spend \$50 million in fulfillment of the Work Program within 30 months of receipt of government approval (“Phase 1”), Hess must promptly transfer back to TEF the Transfer Working Interests.

[Table of Contents](#)

Under the terms of the Investment Agreement, if Hess spends \$50 million in Phase 1, Hess will have the option to proceed to Phase 2 of the Work Program. If Hess elects not to proceed to Phase 2 of the Work Program, Hess must promptly transfer back to TEF a percentage of the Transfer Working Interests determined with reference to the amount of money spent by Hess in fulfillment of the Work Program during Phase 1.

Under the terms of the Investment Agreement, if Hess elects to proceed, Phase 2 of the Work Program is expected to consist of appraisal and development activities, depending on the results of the work in Phase 1. If Hess does not spend \$70 million (less money spent by Hess in fulfillment of the Work Program in excess of \$50 million in Phase 1) in fulfillment of the Work Program within 36 months ("Phase 2"), Hess must promptly transfer back to TEF a percentage of the Transfer Working Interests determined with reference to the amount of money spent by Hess in fulfillment of the Work Program during Phase 1. Following Phase 2, TEF and Hess will bear the costs of subsequent exploration, appraisal and development activities in accordance with individual participation agreements governing the joint operations on each Permit.

Under the terms of the Investment Agreement, Hess agrees to pay TEF: (x) a success fee based on proved developed oil reserves (as defined by Rule 4-10(a) of Regulation S-X), up to a maximum of \$80 million and (y) a success fee if oil production exceeds an agreed threshold, up to a maximum of \$50 million, each of which is subject to reduction under certain circumstances.

Under the terms of the Investment Agreement, TEF and Hess have designated an area of mutual interest within the Paris Basin (the "AMI"). If either party acquires or applies for a working interest in an exploration permit or exploitation concession within the AMI, such party would be required to offer to the other party 50% of such interest on the same terms and conditions.

Under the terms of the Investment Agreement, TEF is entitled to invoice Hess for all personal general and administrative costs associated with its activities as operator of the Permits. For the three and nine months ending September 30, 2010, \$560,000 was invoiced to Hess and recorded as "Other income."

NOTE 17 — PENSION, POST-RETIREMENT, AND POST-EMPLOYMENT OBLIGATIONS

Provisions for employee retirement obligations amounted to \$273,000 and \$0 for the nine months ended September 30, 2010 and September 30, 2009, respectively. Pension benefits, which only consist in retirement indemnities, have been defined only for the Company's French subsidiaries.

NOTE 18 — STOCK COMPENSATION PLANS

We have granted stock options to key employees and outside directors of Toreador as described below.

In May 1990, we adopted the 1990 Stock Option Plan ("1990 Plan"). The 1990 Plan, as amended and restated, provides for grants of up to 1,000,000 stock options to employees and directors at exercise prices greater than or equal to market on the date of the grant.

In December 2001, we adopted the 2002 Stock Option Plan ("2002 Plan"). The 2002 Plan provides for grants of up to 500,000 stock options to employees and outside directors at exercise prices greater than or equal to market on the date of the grant.

In September 1994, we adopted the 1994 Non-employee Director Stock Option Plan ("1994 Plan"). The 1994 Plan, as amended and restated, provides for grants of up to 500,000 stock options to non-employee directors of Toreador at exercise prices greater than or equal to market on the date of the grant.

[Table of Contents](#)

The Board of Directors grants options under our plans periodically. Generally, option grants are exercisable in equal increments over a three-year period, and have a maximum term of 10 years.

A summary of stock option transactions is as follows:

	2010		2009	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at January 1	67,370	\$ 7.78	248,370	\$ 6.77
Granted	—	—	—	—
Exercised	(5,000)	\$ 3.10	(31,000)	\$ 3.67
Forfeited	—	—	(150,000)	\$ 6.96
Outstanding at the end of the period	<u>62,370</u>	\$ 8.15	<u>67,370</u>	\$ 7.78
Exercisable at the end of the period	<u>62,370</u>	\$ 8.15	<u>67,370</u>	\$ 7.78

The intrinsic value of the options exercised at September 30, 2010 was zero. For the nine months ended September 30, 2010 and for the year ended December 31, 2009 we received cash from stock option exercises of \$15,500 and \$113,875, respectively. As of September 30, 2010, all outstanding options were 100% vested. As of September 30, 2010 and December 31, 2009, the total compensation cost related to non-vested stock options not yet recognized was zero.

The following table summarizes information about the fixed price stock options outstanding at September 30, 2010:

Exercise Price	Number Outstanding		Number Exercisable		Weighted Average Remaining Contractual Life in Years
	Shares	Intrinsic Value (in thousands)	Shares	Intrinsic Value (in thousands)	
3.12	620	\$ 1	620	\$ 1	0.22
3.12	3,800	9	3,800	9	0.22
5.50	200	—	200	—	3.82
5.50	40,250	—	40,250	—	3.82
13.75	7,500	(62)	7,500	(62)	4.38
16.90	10,000	(114)	10,000	(114)	4.89
	<u>62,370</u>	<u>\$ (165)</u>	<u>62,370</u>	<u>\$ (165)</u>	2.89

In May 2005, the Company's stockholders approved the Toreador Resources Corporation 2005 Long-Term Incentive Plan (the "Plan"). At the Company's 2010 Annual Meeting of Stockholders, the stockholders of the Company approved an amendment to the Plan which increased the authorized number of shares of Company common stock available under the Plan from 1,750,000 shares to 3,250,000 shares. Thus, the Plan, as amended, authorizes the issuance of up to 1,500,000 new shares of the Company's common stock to key employees, key consultants and outside directors of the Company.

At September 30, 2010 the Board of Directors has authorized a total of 266,750 shares of restricted stock to be granted to employees and non-employee directors. The compensation cost is measured by the difference between the quoted market price of the stock at the date of grant and the price, if any, to be paid by an employee or director and is recognized as an expense over the period the recipient performs related services. The restricted stock grants vest immediately or over up to a three-year period (depending on the grant), and the weighted average price of the stock on the date of the grants was \$9.32 for the nine months ended September 30, 2010.

[Table of Contents](#)

Stock compensation expense of \$0.4 million is included in the Statement of Operations for the three months ended September 30, 2010 and stock compensation expense of \$ 2.6 million is included in the Statement of Operations for the nine months ended September 30, 2010, which represents the cost recognized from the date of the grants through September 30, 2010. As of September 30, 2010, the total compensation cost related to non-vested restricted stock grants not yet recognized is approximately \$3.2 million. This amount will be recognized as compensation expense over the next 36 months.

On September 30, 2010, there were 1,339,421 remaining shares available for grant under the Plan.

The following table summarizes the changes in outstanding restricted stock grants along with their related grant-date fair values for the year ended September 30, 2010:

	<u>Shares</u>	<u>Weighted Average Grant-Date Fair Value</u>
Non-vested at December 31, 2009	378,130	\$ 10.25
Shares granted	266,750	\$ 9.32
Shares vested	(298,708)	\$ 8.93
Shares forfeited	—	—
Non-vested at September 30, 2010	<u>346,172</u>	\$ 10.55

NOTE 19— SUBSEQUENT EVENTS

The Company evaluated its September 30, 2010 financial statements for subsequent events through the date the financial statements were issued. Except as indicated below, no subsequent events require disclosure.

In accordance with the terms, procedures and conditions outlined in the indenture and the 5.00% Convertible Senior Notes, each holder of the 5.00% Convertible Senior Notes had an option to require the Company to purchase all or a portion of its 5.00% Convertible Senior Notes on October 1, 2010. Pursuant to the exercise of this option, the Company repurchased \$32,256,000 principal amount of the 5.00% Convertible Senior Notes on October 1, 2010. Interest on the repurchased 5.00% Convertible Senior Notes accrued up to, but not including, October 1, 2010 was been paid to record holders of 5.00% Convertible Senior Notes as of September 15, 2010. The repurchase on October 1, 2010 resulted in a loss of \$1.1 million after writing off all deferred debt issuance costs pertaining to the 5.00% Convertible Senior Notes. The Company has elected to redeem the \$129,000 principal aggregate amount of the 5.00% Convertible Senior Notes outstanding in accordance with the terms of the indenture, has provided notice to the holders of such redemption and expects to effect this redemption on November 24, 2010.

On October 6, 2010, Toreador received a claim notice from Tiway under the SPA in respect of an arbitration initiated by TPAO against Tiway relating to alleged damages and losses suffered in connection with the Akcakoca-cayagzi pipeline construction project in 2005. See “Note 11 — Commitments and Contingencies” for further information.

On October 20, 2010, English High Court proceedings, commenced by Hunnisett and Barker as well as Netherby Investments Limited against Tiway Turkey Limited and the Company, were served on the Company. See “Note 11 — Commitments and Contingencies” for further information.

We periodically utilize derivative instruments such as futures and swaps for purposes of hedging our exposure to fluctuations in the sale price of crude oil. On November 2, 2010, the Company entered into collars contracts with Vitol Trading SA for 500 Bbls per day (or approximately 15,208 Bbls per month) from January 1, 2011 to December 31, 2011 with a floor price at \$78/Bbl and a ceiling price at \$91/Bbl.

ITEM 2 — MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is intended to assist you in understanding our business and results of operations together with our present financial condition. This section should be read in conjunction with our Consolidated Financial Statements and the accompanying notes included elsewhere in this Quarterly Report on Form 10-Q, as well as our Annual Report on Form 10-K for the year ended December 31, 2009, which was filed with the SEC on March 16, 2010. Certain prior-year amounts have been reclassified and adjusted to present the operations of Turkey, Hungary and Romania as discontinued operations.

DISCLOSURES REGARDING FORWARD-LOOKING STATEMENTS

Certain matters discussed under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this report may constitute “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and, as such, may involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. When used in this report, the words “anticipates,” “estimates,” “plans,” “believes,” “continues,” “expects,” “projections,” “forecasts,” “intends,” “may,” “might,” “will,” “would,” “could,” “should,” and similar expressions are intended to be among the statements that identify forward-looking statements. The factors that may affect our expectations regarding our operations include, among others, the following:

- our ability to raise necessary capital in the future;
- our ability to maintain or renew our existing exploration permits or exploitation concessions or obtain new ones;
- the effect of our indebtedness on our financial health and business strategy;
- our ability to execute our business strategy and be profitable;
- our ability to replace oil reserves;
- a change in the SEC position on our calculation of proved reserves;
- the loss of the current purchaser of our oil production;
- results of our hedging activities;
- the loss of senior management or key employees;
- political, legal and economic risks associated with having international operations;
- disruptions in production and exploration activities in the Paris Basin;
- currency fluctuations;
- failure to maintain adequate internal controls;
- indemnities granted by us in connection with dispositions of our assets;
- unfavorable results of legal proceedings;
- assessing and integrating acquisition prospects;
- declines in prices for crude oil;
- our ability to compete in a highly competitive oil and gas industry;
- our ability to obtain equipment and personnel;
- extensive regulation, including environmental regulation, to which we are subject;
- terrorist activities;
- our success in development, exploitation and exploration activities;
- reserves estimates turning out to be inaccurate; and
- differences between the present value and market value of our reserves.

In addition to these factors, important factors that could cause actual results to differ materially from our expectations (“Cautionary Statements”) are disclosed under “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2009, filed with the SEC on March 16, 2010, which are incorporated by reference herein.

[Table of Contents](#)

All written and oral forward-looking statements attributable to us are expressly qualified in their entirety by the Cautionary Statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

EXECUTIVE OVERVIEW

We are an independent energy company engaged in the exploration and production of crude oil with interests in developed and undeveloped oil properties in the Paris Basin, France. We are currently focused on the development of our conventional fields and the exploitation of the prospective shale oil play within our Paris Basin acreage position.

We currently operate solely in the Paris Basin, which covers approximately 170,000 km² of northeastern France, centered 50 to 100 km east and south of Paris. At September 30, 2010, we held interests in approximately 683,000 gross exploration acres. According to Gaffney, Cline & Associates Ltd, an independent petroleum and geological engineering firm, or Gaffney Cline, as of December 31, 2009, our proved reserves were 5.8 MBbls, our proved plus probable reserves were 9.1 MBbls and our proved plus probable plus possible reserves were 14.3 MBbls. Our production for 2009 averaged approximately 900 bbl/d from two conventional oilfield areas in the Paris Basin - the Neocomian Complex and Charmottes fields. As of September 30, 2010, production from these oil fields represented substantially all of our sales and operating revenue. We intend to maintain production from these mature assets using when necessary suitable enhanced oil recovery techniques. In addition to this production base, we have identified several additional conventional exploration targets.

We are also currently focused on exploiting our shale oil acreage in the Paris Basin by executing with our strategic partner, Hess Oil France S.A.S., a proof of concept program by drilling, completing and testing pilot wells.

Operations Update

Hess Partnership

On May 10, 2010, Toreador Energy France S.C.S. (“TEF”), a company organized under the laws of France and an indirect subsidiary of the Company, entered into an Investment Agreement (the “Investment Agreement”) with Hess Oil France S.A.S. (“Hess”), a company organized under the laws of France and a wholly owned subsidiary of Hess Corporation, a Delaware corporation, relating to exploitation of our shale oil acreage in the Paris Basin. Pursuant to the Investment Agreement (x) Hess may become a 50% holder of TEF’s working interests in its awarded and pending exploration permits in the Paris Basin, France (the “Permits”) and (y) (1) Hess must make a \$15 million upfront payment to TEF, (2) Hess will have the right to invest up to \$120 million in fulfillment of a two-phase work program (the “Work Program”) and (3) TEF would be entitled to receive up to a maximum of \$130 million of success fees based on reserves and upon the achievement of an oil production threshold. In accordance with the Investment Agreement, Hess made the \$15 million upfront payment (plus applicable VAT of \$2.9 million) to TEF on June 10, 2010.

Pursuant to the Investment Agreement, subject to such government approval, TEF has transferred 50% of its working interest in each Permit to Hess (collectively, the “Transfer Working Interests”). The *Ministère de l’Ecologie, de l’Energie, du Développement Durable et de la Mer* (Ministry of Ecology, Energy, Sustainable Development and the Sea) in France granted first-stage approval on June 25, 2010. An application for the grant to Hess of title (together with TEF) on the pending exploration permits in the Paris Basin has also been filed with the French Government.

On October 10, 2010, TEF and Hess obtained definitive approval and necessary environmental permits from the relevant French local and regional authorities (DRIE, DREAL and Préfecture) for the initial four well locations, for which we applied in the second quarter of 2010. The initial phase of the drilling program, expected to comprise six or more unconventional exploration wells, is forecast to begin in January 2011. The first well will be a vertical well located on the Chateau Thierry exploration permit located about 70 km east of Paris. TEF will remain operator of record in the near-term while work is carried out under Hess’s supervision. On October 22, 2010, TEF and Hess agreed on a firm budget of \$56 million for 2011, which will be funded out of Hess’s commitments under the terms of the May 10, 2010 Investment Agreement. There is a possible additional \$20 million of discretionary spending for 2011 that will be decided at a later date between Hess and TEF.

La Garenne Well

The LGA-1 exploration well (La Garenne) was drilled and tested on the Rigny le Ferron exploration permit in late 2009 and early 2010. The well confirmed a five-meter reservoir within a 50-meter oil column in the target Dogger formation, but low permeability in the vicinity of the wellbore. A decision regarding whether or not to drill a horizontal appraisal well and to develop the reservoir will be made in the first quarter of 2011.

Concessions Renewal

On December 11, 2008, TEF filed an application for the extension of the validity of Châteaurenard Concession and the Saint-Firmin-des-Bois Concession for a period of 25 years. Pursuant to French law governing mines and underground storage, the French Minister in charge of energy must decide upon renewal of such concessions within a period of two years from the date the applications were filed, which requires the approval of both the *Conseil Général de l'Industrie, de l'Energie et des Technologies* and of the *Conseil d'Etat* (i.e. the French administrative supreme body). The *Conseil Général de l'Industrie, de l'Energie et des Technologies* approved the renewal of the Châteaurenard Concession and the Saint-Firmin-des-Bois Concession on October 11, 2010. In accordance with French law, the renewal of such concessions is now under review by the *Conseil d'Etat*. The main criteria for renewal are the technical and financial capacities of the applicant.

Strategy

The primary components of our strategy are:

- *Focus on France.* All of our oil assets are currently located in France, having disposed of our interests in Turkey, Romania and Hungary in 2009. We believe we can leverage our substantial acreage position and our experience and industry relationships in France to grow the Company.
- *Capture, develop and accelerate conventional prospects.* We have identified a number of conventional oil prospects, which we intend to evaluate for potential development, beginning with La Garenne.
- *Target the prospective unconventional oil resource play.* We are currently working with Hess on our proof of concept program and potential development of our Paris Basin shale oil acreage position.
- *Seize the opportunities for external growth.* We continue to evaluate and, where appropriate, intend to pursue acquisition opportunities on terms we consider favorable. In particular, we consider acquisitions of businesses or interests that will complement and allow us to expand our activities. However, currently, we have no binding commitments related to any acquisitions.
- *Continue to focus on operational costs.* Since the beginning of 2009, we have improved operational efficiencies, and we continue to focus on maintaining efficient operations.
- *Seek and maintain optimal capital structure.* We intend to maintain a conservative capital structure over time.

Financial Summary

For the nine months ended September 30, 2010:

- Revenues from continuing operations were \$33.0 million.
- Operating costs from continuing operations were \$20.2 million.
- Loss from discontinued operations, net of income taxes, was \$1.1 million.
- Net loss available to common shares was \$3.9 million.
- Production was 241 MBOE.

At September 30, 2010, we had:

- Cash and cash equivalents of \$53.6 million.
- A current ratio (current assets/current liabilities) of 1.32 to 1.
- A debt to equity ratio of 3.24 to 1.

LIQUIDITY AND CAPITAL RESOURCES

This section should be read in conjunction with “Note 5 — Long Term Debt” and “Note 19 — Subsequent Events” in the Notes to the Condensed Consolidated Financial Statements included in this filing.

Liquidity

The Company’s liquidity depends on cash flow from operations and existing cash resources. As of September 30, 2010, we had cash and cash equivalents of \$53.6 million, a current ratio of approximately 1.32 to 1 and a debt to equity ratio of 3.24 to 1. For the three months ended September 30, 2010, we had an operating income of \$0.6 million. We had sales and other operating revenue of \$6.0 million. We had no other capital expenditures apart from technical studies of La Garenne for \$45,000. The Company does not currently have a credit facility and intends to rely on its cash balance to meet its immediate cash requirements.

Our cash flow from operations is highly dependent upon the prices received from our oil production, which are dependent on numerous factors beyond our control. Accordingly, significant changes to oil prices are likely to have a material impact on our financial condition, results of operation, cash flows and revenue. Oil prices have been very volatile over the first nine months of 2010, and we expect will continue to be volatile for the remainder of the fiscal year 2010. In order to reduce our exposure to crude oil price fluctuations, we have entered into a collar contract for approximately 15,208 Bbls per month for the months of January 2010 through December 2010 for which the floor price is \$68.00 per bbl, and the ceiling price is \$81.00 per bbl. On November 2, 2010, we entered into futures and swaps contracts for 2011. See “Note 19 — Subsequent Events” for further information.

On February 1, 2010, we consummated an exchange transaction (the “Convertible Notes Exchange”). In the Convertible Notes Exchange, in exchange for (a) \$22,231,000 principal amount of our outstanding 5.00% Convertible Senior Notes (the “Old Notes”) and (b) \$9.4 million cash, we issued \$31,631,000 aggregate principal amount of our 8.00%/7.00% Convertible Senior Notes (the “New Convertible Senior Notes”) and paid accrued and unpaid interest on the Old Notes. See “Note 5 — 5.00% Convertible Senior Notes Due October 1, 2025”, and “Note 5 — 8.00%/7.00% Senior Convertible Notes Due October 1, 2025” for further details.

On February 12, 2010, we completed a registered underwritten public offering of 3,450,000 shares of common stock, including 450,000 shares of common stock acquired by the underwriters from us to cover over-allotment options. The net proceeds to Toreador from the offering were approximately \$26.8 million, after deducting underwriting discounts, commissions and estimated offering expenses. We intended to use the net proceeds, together with cash on hand, to satisfy payment obligations arising from the holders’ exercise, if any, of their right on October 1, 2010 to require the Company to repurchase its 5.00% Convertible Senior Notes and for general corporate purposes, which may include working capital, capital expenditures and acquisitions. Pending such use, we invested the net proceeds in mutual and money market funds and/or bank certificates of deposit. As of September 30, 2010, approximately \$32.4 million principal aggregate amount of the 5.00% Convertible Senior Notes was outstanding. On October 1, 2010, the Company repurchased \$32,256,000 principal amount of the 5.00% Convertible Senior Notes. See “Note 19 — Subsequent Events” for further information.

[Table of Contents](#)

We currently have no mandatory capital expenditures in 2010; however, we are currently evaluating the creation of a development plan for the La Garenne field. In addition, under French law, each of our exploration permits and exploitation concessions require that we commit to expenditures of a certain amount over the period of the applicable permit or concession. Though we consider these amounts discretionary, such expenditures would be required to renew such permits.

We believe we will have sufficient cash flow from operations and cash on hand to meet all of our 2010 obligations.

5.00% CONVERTIBLE SENIOR NOTES DUE OCTOBER 1, 2025

On September 27, 2005, we issued \$75 million of Convertible Senior Notes due October 1, 2025 (the “5.00% Convertible Senior Notes”) to qualified institutional buyers pursuant to Rule 144A of the Securities Act of 1933, as amended (the “Securities Act”). The Company also granted the initial purchasers the option to purchase an additional \$11.25 million aggregate principal amount of 5.00% Convertible Senior Notes to cover over-allotments. The over-allotment option was exercised on September 30, 2005. The total principal amount of 5.00% Convertible Senior Notes issued was \$86.25 million and total net proceeds were approximately \$82.2 million. We incurred approximately \$4.1 million of costs associated with the issuance of the 5.00% Convertible Senior Notes; these costs have been recorded in other assets on the balance sheet and are being amortized to interest expense using the straight-line interest rate method (which approximates the effective interest method) over the term of the 5.00% Convertible Senior Notes (i.e., from issuance to the earliest date on which holders may require the Company to repurchase all or a portion of their 5.00% Convertible Notes, in this case October 1, 2010).

The net proceeds were used for general corporate purposes, including funding a portion of the Company’s 2005 and 2006 exploration and development activities.

The 5.00% Convertible Senior Notes bear interest at a rate of 5.00% per annum and can be converted into common stock at an initial conversion rate of 23.3596 shares of common stock per \$1,000 principal amount of 5.00% Convertible Senior Notes (equivalent to a conversion price of approximately \$42.81 per share), subject to adjustment in the event of, among other things, a fundamental change (as defined in the indenture). We could have redeemed the 5.00% Convertible Senior Notes, in whole or in part, on or after October 6, 2008, and prior to October 1, 2010, for cash at a redemption price equal to 100% of the principal amount of 5.00% Convertible Senior Notes to be redeemed, plus any accrued and unpaid interest, if the closing price of our common stock exceeded 130% of the conversion price over a specified period. On or after October 1, 2010, we may redeem the 5.00% Convertible Senior Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of 5.00% Convertible Senior Notes to be redeemed, plus any accrued and unpaid interest, irrespective of the price of our common stock. Holders may convert their 5.00% Convertible Senior Notes at any time prior to the close of business on the business day immediately preceding their stated maturity, and holders may, upon the occurrence of certain fundamental changes, or on October 1, 2010, October 1, 2015, and October 1, 2020, require us to repurchase all or a portion of their 5.00% Convertible Senior Notes for cash in an amount equal to 100% of the principal amount of such 5.00% Convertible Senior Notes, plus any accrued and unpaid interest.

During 2008 the Company repurchased \$6 million, face value, of the 5.00% Convertible Senior Notes on the open market for \$5.3 million. In 2009 the Company repurchased \$25.7 million, face value, of the 5.00% Convertible Senior Notes on the open market for \$21.3 million, resulting in a gain on the early extinguishment of debt of \$3.4 million after writing off deferred loan costs of approximately \$1 million. On February 1, 2010, Toreador consummated an exchange transaction (the “Convertible Notes Exchange”). In the Convertible Notes Exchange, in exchange for (a) \$22,231,000 principal amount of our outstanding 5.00% Convertible Senior Notes (the “Old Notes”) and (b) \$9.4 million cash, we issued \$31,631,000 aggregate principal amount of our 8.00%/7.00% Convertible Senior Notes, or the New Convertible Senior Notes, and paid accrued and unpaid interest on the Old Notes.

[Table of Contents](#)

As the debt instruments exchanged in the Convertible Notes Exchange have substantially different terms, the Company recognized the exchange of the 5.00% Convertible Senior Notes as extinguishment of debt. As a result, for the nine months ended September 30, 2010, the Company recognized a loss of \$4.3 million including write off of loan original fee of \$822,000 for the debt extinguishment. The New Convertible Senior Notes are recorded at a fair value of \$35,065,000 on the date of exchange. The accretion expense on the Convertible Notes Exchange, which was determined using fair market value of the New Convertible Senior Notes, will be amortized to income over their term. The accretion impact (positive) of \$348,430 was recorded for the nine months ended September 30, 2010.

As of September 30, 2010, approximately \$32.4 million principal aggregate amount of the 5.00% Convertible Senior Notes was outstanding.

On October 1, 2010, holders of \$32,256,000 principal amount of the 5.00% Convertible Senior Notes exercised their right to require the Company to repurchase their 5.00% Convertible Senior Notes in accordance with the terms of the indenture. Following such repurchase by the Company on October 1, 2010, \$129,000 principal aggregate amount of the 5.00% Convertible Senior Notes remained outstanding. The Company has elected to redeem the \$129,000 principal aggregate amount of the 5.00% Convertible Senior Notes outstanding in accordance with the terms of the indenture, has provided notice to the holders of such redemption and expects to effect this redemption on November 24, 2010. For further information, see "Note 19 — Subsequent Events."

8.00%/7.00% CONVERTIBLE SENIOR NOTES DUE OCTOBER 1, 2025

On February 1, 2010, Toreador consummated the Convertible Notes Exchange. In the Convertible Notes Exchange, in exchange for (a) the Old Notes and (b) \$9.4 million cash, we issued \$31,631,000 aggregate principal amount of the New Convertible Senior Notes and paid accrued and unpaid interest on the Old Notes. We incurred approximately \$1.9 million of costs associated with the issuance of the New Convertible Senior Notes; these costs have been recorded in other assets on the balance sheets and are being amortized to interest expense using the straight-line interest rate method (which approximates the effective interest method) over the term of the New Convertible Senior Notes (i.e., from issuance to the earliest date on which holders may require the Company to repurchase all or a portion of their New Convertible Senior Notes, in this case October 1, 2013).

The New Convertible Senior Notes are senior unsecured obligations of the Company, ranking equal in right of payment with the Company's 5.00% Convertible Senior Notes and future unsubordinated indebtedness. The New Convertible Senior Notes will mature on October 1, 2025 and pay annual cash interest at 8.00% from February 1, 2010 until January 31, 2011 and at 7.00% per annum thereafter. Interest on the New Convertible Senior Notes will be payable on February 1 and August 1 of each year, beginning on August 1, 2010.

The New Convertible Senior Notes are convertible prior to February 1, 2011 only if an event of default occurs and is continuing under the terms of the indenture, upon a change of control (as defined in the indenture) and to the extent the Company elects to redeem the New Convertible Senior Notes in a Provisional Redemption (as defined below). The New Convertible Senior Notes are convertible at any time on or after February 1, 2011 and before the close of business on October 1, 2025.

The New Convertible Senior Notes are convertible into shares of our common stock at an initial conversion rate of 72.9927 shares of common stock per \$1,000 principal amount of New Convertible Senior Notes (which is equivalent to an initial conversion price of \$13.70 per share), subject to adjustment upon certain events. Under the terms of the indenture governing the New Convertible Senior Notes, if on or before October 1, 2010, we sold shares of our common stock in an equity offering or an equity-linked offering (other than for compensation), for cash consideration per share such that 120% of the issuance price was less than the conversion price of the New Convertible Senior Notes then in effect, the conversion price was to be reduced to an amount equal to 120% of such offering price. As a result of our February 2010 public offering, the conversion rate of the New Convertible Senior Notes adjusted to 98.0392 shares of common stock per \$1,000 principal amount of New Convertible Senior Notes (which is equivalent to a conversion price of approximately \$10.20 per share). Pursuant to the indenture, the conversion price of the New Convertible Senior Notes will not be further adjusted under such provision because the proceeds from the public offering were in excess of \$20 million.

[Table of Contents](#)

The New Convertible Senior Notes may be redeemed in whole or in part at the Company's option prior to October 1, 2013, in cash at a redemption price equal to one hundred percent (100%) of the principal amount of the New Convertible Senior Notes redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date plus a make-whole payment, if the closing sale price of the Company's common stock has exceeded 200% of the conversion price then in effect for at least twenty (20) trading days in any consecutive thirty (30)-trading day period ending on the trading day prior to the date of mailing of the relevant notice of redemption (a "Provisional Redemption"). The New Convertible Senior Notes may be redeemed in whole or in part at the Company's option on or after October 1, 2013 for cash at a redemption price equal to 100% of the principal amount of the New Convertible Senior Notes redeemed, plus any accrued and unpaid interest to, but excluding, the redemption date. In addition, upon the occurrence of certain fundamental changes, or on each of October 1, 2013, October 1, 2015 and October 1, 2020, a holder may require the Company to repurchase all or a portion of the New Convertible Senior Notes in cash for 100% of the principal amount of the New Convertible Senior Notes to be purchased, plus any accrued and unpaid interest to, but excluding, the purchase date.

Pursuant to the indenture, the Company and its subsidiaries may not incur debt other than Permitted Indebtedness. "Permitted Indebtedness" includes (i) the New Convertible Senior Notes; (ii) the 5.00% Convertible Senior Notes or any indebtedness of the Company that serves to refund or refinance the 5.00% Convertible Senior Notes ("Refinancing Debt"), so long as the principal amount of the Refinancing Debt does not exceed the outstanding principal amount of the 5.00% Convertible Senior Notes; (iii) indebtedness incurred by the Company or its subsidiaries not to exceed the sum of (i) the product of (x) \$7.00 and (y) the number of barrels of proved plus probable reserves and (ii) cash equivalents less the aggregate principal amount of the New Convertible Senior Notes outstanding less the aggregate principal amount of the 5.00% Convertible Senior Notes less any Refinancing Debt; (iv) indebtedness that is nonrecourse to the Company or any of its subsidiaries used to finance projects or acquisitions, joint ventures or partnerships, including acquired indebtedness ("Nonrecourse Debt"); and (v) certain other customary categories of permitted debt. In addition, the Company may not permit its total consolidated net debt as of any date to exceed the product of (x) \$7.00 and (y) the number of barrels of proved plus probable reserves other than for Nonrecourse Debt. The proved plus probable reserves underlying any Nonrecourse Debt for which debt has been incurred as permitted debt pursuant to clause (iv) above will be excluded from the proved plus probable reserves calculation for the purposes of the above debt covenants.

CHANGE IN AMORTIZATION OF ISSUE PREMIUM AND DEBT ISSUANCE COSTS

The Company reviews the estimated lives of its assets and liabilities and related amortization period on an ongoing basis. This review indicated that the estimated amortization period of the Company's issue premium and debt issuance costs were deemed to be shorter than the previously assigned amortization period. As a result, effective July 1, 2010, the Company changed its estimates for the amortization period of its issue premium and debt issuance costs to reflect the first put option date of the related callable debt. This change in estimate resulted from a change in the pattern of recognition of those expenses resulting from the repurchase option for the 5.00% Convertible Senior Notes on October 1, 2010.

Based on this early redemption, the Company has decided that for a debt instrument that is puttable by the holder prior to the debt's stated maturity date, it is preferable to amortize the related issuance costs and purchase premium over a period no longer than through the first put option date. The issue premium on the Convertible Notes Exchange and the costs associated with the issuance of its convertible senior notes will now be amortized using the straight-line interest rate method (which approximates the effective interest method) over the term of the first puttable dates of these callable debts. In all prior periods, the issue premium and the debt issuance costs were amortized over the terms of the debt issuance (i.e., October 1, 2025 for both the 5.00% Convertible Senior Notes and the New Convertible Senior Notes). The effect of this change in estimate was to increase the interest expense by \$1,260,060, increase the accretion impact (positive) by \$202,314 (or increase net loss for \$1,057,746) and decrease basic and diluted earnings per share by \$0.04 for the three months ended September 30, 2010.

Dividends

Dividends on our common stock may be declared and paid out of funds legally available when and as determined by our Board of Directors. Our policy is to hold and invest corporate funds on a conservative basis, and, thus, we do not anticipate paying cash dividends on our common stock in the foreseeable future.

Contractual Obligations

The following table sets forth our contractual obligations in thousands at September 30, 2010 for the periods shown:

	Total	Less Than One Year	One to Three Years	Four to Five Years	More Than Five Years
Long-term debt	\$ 67,101	\$ 32,385	\$ 34,716	\$ —	\$ —
Asset retirement obligation	4,009	—	—	155	3,854
Lease commitments	471	112	359	—	—
Total contractual obligations	<u>\$ 71,581</u>	<u>\$ 32,497</u>	<u>\$ 35,075</u>	<u>\$ 155</u>	<u>\$ 3,854</u>

Contractual obligations for long-term debt above does not include amounts for interest payments.

CRITICAL ACCOUNTING POLICIES

The discussion and analysis of our financial condition and results of operations is based upon the consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Our significant accounting policies are described in “Note 1 — Significant Accounting Policies” to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2009. We have identified below policies that are of particular importance to the portrayal of our financial position and results of operations and which require the application of significant judgment by management. We analyze our estimates on a periodic basis and base our estimates on experience and various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates using different assumptions or conditions. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our financial statements:

Successful Efforts Method of Accounting

We account for our oil and natural gas exploration and development activities utilizing the successful efforts method of accounting. Under this method, costs of productive exploratory wells, development dry holes and productive wells and undeveloped leases are capitalized. Oil and natural gas lease acquisition costs are also capitalized. Exploration costs, including personnel costs, certain geological and geophysical expenses and delay rentals for oil and natural gas leases, are charged to expense as incurred. Exploratory drilling costs are initially capitalized, but such costs are charged to expense if and when the well is determined not to have found reserves in commercial quantities. In most cases, a gain or loss is recognized for sales of producing properties.

The application of the successful efforts method of accounting requires management’s judgment to determine the proper designation of wells as either developmental or exploratory, which will ultimately determine the proper accounting treatment of the costs incurred. The results from a drilling operation can take considerable time to analyze, and the determination that commercial reserves have been discovered requires both judgment and application of industry experience. Wells may be completed that are assumed to be productive and actually deliver oil and natural gas in quantities insufficient to be economic, which may result in the abandonment of the wells at a later date. On occasion, wells are drilled which have targeted geologic structures that are both developmental and exploratory in nature, and in such instances an allocation of costs is required to properly account for the results. Delineation seismic costs incurred to select development locations within a productive oil and natural gas field are typically treated as development costs and capitalized, but often these seismic programs extend beyond the proved reserve areas and therefore management must estimate the portion of seismic costs to expense as exploratory. The evaluation of oil and natural gas leasehold acquisition costs requires management’s judgment to estimate the fair value of exploratory costs related to drilling activity in a given area. Drilling activities in an area by other companies may also effectively condemn leasehold positions.

[Table of Contents](#)

The successful efforts method of accounting can have a significant impact on the operational results reported when we enter a new exploratory area in hopes of finding oil and natural gas reserves. The initial exploratory wells may be unsuccessful and the associated costs will be expensed as dry hole costs. Seismic costs can be substantial which will result in additional exploration expenses when incurred.

Reserves Estimate

Proved reserves are estimated quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible — from a given date forward recoverable in future years from known reservoirs, and under existing economic conditions, operating methods, and government regulations — prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain. Proved developed reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well and through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well. Proved undeveloped reserves are reserves that are expected to be recovered from new wells on undrilled acreage or from existing wells where a relatively major expenditure is required for recompletion. Proved undeveloped reserves on undrilled acreage are limited (i) to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at greater distances and (ii) to other undrilled locations if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances justify a longer time.

Probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered. When deterministic methods are used, it is as likely as not that actual remaining quantities recovered will exceed the sum of estimated proved plus probable reserves. When probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the proved plus probable reserves estimates. Probable reserves may be assigned to areas of a reservoir adjacent to proved reserves where data control or interpretations of available data are less certain, even if the interpreted reservoir continuity of structure or productivity does not meet the reasonable certainty criterion. Probable reserves may be assigned to areas that are structurally higher than the proved area if these areas are in communication with the proved reservoir. Probable reserves estimates also include potential incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than assumed for proved reserves.

Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. When deterministic methods are used, the total quantities ultimately recovered from a project have a low probability of exceeding proved plus probable plus possible reserves. When probabilistic methods are used, there should be at least a 10% probability that the total quantities ultimately recovered will equal or exceed the proved plus probable plus possible reserves estimates. Possible reserves may be assigned to areas of a reservoir adjacent to probable reserves where data control and interpretations of available data are progressively less certain. Frequently, this will be in areas where geoscience and engineering data are unable to define clearly the area and vertical limits of commercial production from the reservoir by a defined project. Possible reserves also include incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than the recovery quantities assumed for probable reserves.

We emphasize that the volume of reserves are estimates that, by their nature are subject to revision. The estimates are made using geological and reservoir data, as well as production performance data. These estimates are reviewed annually and revised, either upward or downward, as warranted by additional performance data. These reserve revisions result primarily from improved or a decline in performance from a variety of sources such as an addition to or a reduction in recoveries below or above previously established lowest known hydrocarbon levels, improved or a decline in drainage from natural drive mechanisms, and the realization of improved or declined drainage areas. If the estimates of proved reserves were to decline, the rate at which we record depletion expense would increase.

For the year ended December 31, 2009, we had an upward reserve revision of 18.11% in total proved reserves. This increase can be correlated to a better long-term performance of our main producing asset, the Neocomian Complex, and a higher oil price. The reserves at December 31, 2009 were priced at \$56.99 per Bbl, as compared to \$34.29 at December 31, 2008.

Impairment of Oil and Natural Gas Properties

We review our proved oil and natural gas properties for impairment on an annual basis or whenever events and circumstances indicate a potential decline in the recoverability of their carrying value. We estimate the expected future cash flows from our proved oil and natural gas properties and compare these future cash flows to the carrying value of the oil and natural gas properties to determine if the carrying value is recoverable. If the carrying value exceeds the estimated undiscounted future cash flows, we will adjust the carrying value of the oil and natural gas properties to its fair value in the current period. The factors used to determine fair value include, but are not limited to, estimates of reserves, future commodity prices, future production estimates, anticipated capital expenditures, and a discount rate commensurate with the risk associated with realizing the expected cash flows projected. Unproved properties are reviewed quarterly to determine if there has been impairment of the carrying value, with any such impairment charged to expense in the period. Given the complexities associated with oil and natural gas reserves estimate and the history of price volatility in the oil and natural gas markets, events may arise that will require us to record an impairment of our oil and natural gas properties and there can be no assurance that such impairments will not be required in the future nor that they will not be material.

On May 1, 2009, the Prime Minister of Turkey, announced a 25.00% reduction in the posted price of natural gas in Turkey which caused us to reevaluate the fair value of our SASB and for management to estimate that the fair value of the asset has been impaired by approximately \$5.3 million at September 30, 2009; accordingly, recorded an impairment to reflect this change in fair value.

We recorded no impairment in the nine months ended September 30, 2010.

Future Development and Abandonment Costs

Future development costs include costs to be incurred to obtain access to proved reserves, including drilling costs and the installation of production equipment. Future abandonment costs include costs to dismantle and relocate or dispose of our production equipment, gathering systems, wells and related structures and restoration costs of land. We develop estimates of these costs for each of our properties based upon the type of production structure, depth of water, reservoir characteristics, depth of the reservoir, market demand for equipment, currently available procedures and consultations with construction and engineering consultants. Because these costs typically extend many years into the future, estimating these future costs is difficult and requires management to make estimates and judgments that are subject to future revisions based upon numerous factors, including changing technology, the ultimate settlement amount, inflation factors, credit adjusted discount rates, timing of settlement and changes in the political, legal, environmental and regulatory environment. We review our assumptions and estimates of future abandonment costs on an annual basis. The accounting for future abandonment costs changed on January 1, 2003, with the adoption of FASB ASC 410 "Asset Retirement and Environmental Obligations". ASC 410 requires that the fair value of a liability for an asset retirement obligation be recorded in the period in which it is incurred and the corresponding cost be capitalized by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. If the liability is settled for an amount other than the recorded amount, a gain or loss is recognized. In 2005, two separate incidents occurred offshore Turkey in the Black Sea, which resulted in the sinking of the Fallen Structures and the loss of three natural gas wells. We have not been requested, or ordered by any governmental or regulatory body, to remove the Fallen Structures. Therefore, we believe it is unlikely that we will receive such a request or order, and no liability has been recorded.

Holding all other factors constant, if our estimate of future abandonment costs is revised upward, earnings would decrease due to higher depreciation, depletion and amortization expense. Likewise, if these estimates were revised downward, earnings would increase due to lower depreciation, depletion and amortization expense.

[Table of Contents](#)

Income Taxes

For financial reporting purposes, we generally provide taxes at the rate applicable for the appropriate tax jurisdiction. Because our present intention is to reinvest the unremitted earnings in our foreign operations, we do not provide U.S. income taxes on unremitted earnings of foreign subsidiaries. Management periodically assesses the need to utilize these unremitted earnings to finance our foreign operations. This assessment is based on cash flow projections that are the result of estimates of future production, commodity prices and expenditures by tax jurisdiction for our operations. Such estimates are inherently imprecise since many assumptions utilized in the cash flow projections are subject to revision in the future.

Management also periodically assesses, by tax jurisdiction, the probability of recovery of recorded deferred tax assets based on its assessment of future earnings estimates. Such estimates are inherently imprecise since many assumptions utilized in the assessments are subject to revision in the future.

Derivatives

We periodically utilize derivatives instruments such as futures and swaps for purposes of hedging our exposure to fluctuations in the price of crude oil sales. In accordance with FASB ASC 815, "Derivatives and Hedging," we have elected not to designate the derivative financial instruments to which we are a party as hedges, and accordingly, we record such contracts at fair value as an asset or a liability and recognize changes in such fair value in current earnings as they occur. We determine the fair value of futures and swap contracts based on the difference between their fixed contract price and the underlying market price at the determination date. The realized and unrealized gains and losses on derivatives are recorded as a derivative fair value gain or loss in the income statement.

Foreign Currency Translation

The functional currency for France is the Euro. Translation gains and losses resulting from transactions in Euros are included in other comprehensive income for the current period. We periodically review the operations of our entities to ensure the functional currency of each entity is the currency of the primary economic environment in which we operate.

RESULTS OF OPERATIONS

COMPARISON OF THE THREE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

The discussion below, with the exception of the discussion under the heading "Discontinued Operations," relates to our corporate activities in the United States and France and oil exploration and production operations in France. Certain prior-year amounts have been reclassified and adjusted to present the operations of Turkey, Hungary and Romania as discontinued operations and are discussed under the heading "Discontinued Operations."

	For the Three Months Ended September 30,	
	2010	2009
Production:		
Oil (MBbls):		
France	81	83

	For the Three Months Ended September 30,	
	2010	2009
Average Price:		
Oil (\$/Bbl):		
France	\$ 77.67	\$ 62.19

[Table of Contents](#)

Revenue and other income

Sales and other operating revenue

Sales and other operating revenue for the three months ended September 30, 2010 was \$6.0 million, as compared to sales and other operating revenue of \$5.2 million for the three months ended September 30, 2009, an increase primarily due to the increase in global oil prices over the period, which led to an increase in the prices at which we sell our oil from an average of \$62.19 per barrel in the three months ended September 30, 2009 to an average of \$77.67 per barrel in the three months ended September 30, 2010. Production remained relatively stable, decreasing from 83 MBbls in the three months ended September 30, 2009 to 81 MBbls in the three months ended September 30, 2010.

The above table compares both volumes and prices received for oil for the three months ended September 30, 2010 and 2009. Oil prices have been very volatile over the third quarter of 2010, and we expect will continue to be extremely volatile for the remainder of the fiscal year 2010. The results of our operations are highly dependent upon the prices received from our oil production, which are dependent on numerous factors beyond our control. Accordingly, significant changes to oil prices are likely to have a material impact on our financial condition, results of operation, cash flows and revenue.

Other income

Other income includes all personal general and administrative costs associated with TEF's activities as operator of the exploration permits in the Paris Basin, which TEF is entitled to invoice to Hess under the Investment Agreement. As of September 30, 2010, \$560,000 was invoiced to Hess and recorded as "Other income."

Operating costs and expenses

Lease operating expense

Lease operating expense was \$3.0 million, or \$36.76 per BOE produced, for the three months ended September 30, 2010, as compared to \$1.5 million, or \$18.07 per BOE produced, for the three months ended September 30, 2009.

This increase is mainly due to the reclassification of certain costs associated with particular properties as lease operating expenses including (i) \$280,000 relating to certain taxes associated with oil production and (ii) approximately \$1.1 million relating to costs associated with production sites and additional Paris headquarter expenses (which in the three months ending September 30, 2009 were classified as general and administrative expenses, but following the formation of the strategic partnership with Hess are now mainly incurred in connection with our existing oil production and conventional reservoirs development and therefore have been reclassified as lease operating expenses). Lease operating expense for the three months ended September 30, 2010 also included expense due to crude oil inventory decrease for an amount of \$134,000.

Exploration expense

Exploration expense for the three months ended September 30, 2010 was \$201,000, as compared to \$22,000 for the three months ended September 30, 2009. This increase is due primarily to expenses associated with geological and technical studies the Company conducted and commissioned in connection with the exploration of the Paris Basin and not invoiced to Hess.

Depreciation, depletion and amortization

Depreciation, depletion and amortization for the three months ended September 30, 2010 was \$1.1 million or \$14.00 per BOE produced, as compared to \$1.3 million or \$16.87 per BOE produced for the three months ended September 30, 2009. This decrease is due to a longer production life estimate for our existing wells according to a Gaffney, Cline & Associates Ltd. report of our reserves at December 31, 2009.

[Table of Contents](#)

Accretion on discounted assets and liabilities

Accretion expense for the three months ended September 30, 2010 was \$246,000 (positive) as compared to \$127,000 for the three months ended September 30, 2009. The accretion expense is composed of \$11,000 as asset retirement obligation expense and \$257,000 of accretion impact (positive) related to the fair value of the New Convertible Senior Notes.

General and administrative before stock compensation expense

General and administrative expense, excluding stock compensation expense, for the three months ended September 30, 2010 totaled \$1.4 million, as compared to \$3.5 million for the comparable period in 2009. This decrease is due to the effort started in 2009 to reduce general and administrative expense as well as to a reclassification of certain oil production related expenses from general and administrative expenses to lease operating expenses.

Stock compensation expense

Stock compensation expense was \$0.4 million for the three months ended September 30, 2010 compared with \$0.6 million for the three months ended September 30, 2009.

Impairment of oil and gas properties

There were no impairment charges for the three months ended September 30, 2010 and September 30, 2009.

Loss on oil and gas derivative contracts

We recorded an unrealized loss on oil and gas derivative contracts for the three months ended September 30, 2010 of \$105,000 (as compared to an unrealized income of \$7,000 in the three months ended September 30, 2009) representing the unrealized loss on the commodity derivative contracts with Vitol Trading. This increase in loss is due to an increase in oil prices over the third quarter of 2010. Presented in the table below is a summary of the contract entered into:

Type	Period	Barrels	Floor	Ceiling	Unrealized loss for the three months ended September 30, 2010
Collar	January 1, 2010 - December 31, 2010	182,500	\$ 68.00	\$ 81.00	\$ 105

Foreign currency exchange gain (loss)

We recorded a loss on foreign currency exchange of \$1.2 million for the three months ended September 30, 2010 compared with a loss of \$0.0 million for the three months ended September 30, 2009. This increase is mainly due to the fact that Toredor Energy France booked a loss on foreign currency exchange in its statutory accounts in Euro over the three months ended September 30, 2010 due to the receipt on June 10, 2010 of the \$15 million upfront payment from Hess under the Investment Agreement combined with the weakening of the U.S. dollar compared to the Euro over the same period (this loss having been recorded in the financial statements of the Company for the third quarter of 2010 in accordance with FAS 52 "Foreign Currency Translation").

Interest expense, net of capitalized interest

Interest expense, net of capitalized interest was \$2.7 million for the three months ended September 30, 2010 as compared to \$0.4 million for the three months ended September 30, 2009. The increase is mainly due to the additional interest payments relating to the New Convertible Senior Notes issued in February 2010, which was offset by decreased interest payments relating to the 5.00% Convertible Senior Notes, of which \$22.2 million of the aggregate principal amount outstanding were exchanged for a portion of the New Convertible Senior Notes in the Convertible Notes Exchange. Interest expense for the New Convertible Senior Notes was \$633,000 for the three months ended September 30, 2010 as compared to zero for the three months ended September 30, 2009. Interest expense for the 5.00% Convertible Senior Notes was \$404,000 for the three months ended September 30, 2010 as compared to \$795,000 for the three months ended September 30, 2009. Amortization of \$1,310,058 was recorded for the three months ended September 30, 2010 compared to \$38,000 for the three months ended September 30, 2009, due to the change in estimate of the lives of the issue premium and debt issuance costs associated to 5.00% Convertible Senior Notes and to the New Convertible Senior Notes (See Note 5 — “Change in Depreciable Lives of Issue Premium and Debt Issuance Costs”).

Income tax (benefit) provision

An income tax benefit of \$0.7 million was recorded in the three months ended September 30, 2010, compared to a tax benefit of \$0.2 million recognized for the three months ended September 30, 2009. This benefit was due to the excess of provision for income tax payable in France recorded in the second quarter of 2010.

Discontinued operations

In the fourth quarter of 2008 and during the first quarter of 2009, Toreador farmed out or sold all of its working interests in Romania to three different companies and closed its office; thus, we no longer have any operational involvement in Romania. This resulted in a gain of \$5.8 million, which was recorded in the first quarter of 2009.

On March 3, 2009 we completed the sale of a 26.75% interest in the South Akcakoca Sub-Basin (SASB) project associated licenses located in the Black Sea offshore Turkey, to Petrol Ofisi for \$55 million. In accordance with the revised assignment announced on February 3, 2009, \$50 million of the proceeds was paid by Petrol Ofisi on March 3, 2009, and the remaining \$5 million was paid on September 1, 2009. There was no gain or loss resulting from this sale.

On September 30, 2009, the Company entered into a Share Purchase Agreement (the “Share Purchase Agreement”) with Tiway Oil BV, a company organized under the laws of the Netherlands (“Tiway”), and Tiway Oil AS, a company organized under the laws of Norway, pursuant to which the Company agreed to sell 100% of the outstanding shares of Toreador Turkey Ltd. to Tiway for total consideration consisting of: (1) a cash payment of \$10.5 million to be paid at closing, (2) exploration success payments dependent upon certain future commercial discoveries as provided in the Share Purchase Agreement, up to a maximum aggregate consideration of \$40 million, and (3) future quarterly 10% pre-tax net profit interest payments if a field goes into production that was discovered by an exploration well drilled within four years of closing on certain of the licenses then still held by Tiway. The sale of Toreador Turkey Ltd. was completed on October 7, 2009 and resulted in a gain of \$1.8 million.

On September 30, 2009, the Company entered into a Quota Purchase Agreement (the “Quota Purchase Agreement”) with RAG (Rohöl Aufsuchungs Aktiengesellschaft), a corporation organized under the laws of Austria (“RAG”), pursuant to which the Company agreed to sell 100% of its equity interests in Toreador Hungary Limited to RAG for total consideration consisting of (1) a cash payment of \$5.4 million (€ 3.7 million) paid at closing, (2) \$435,000 (€ 300,000), which was held back subject to a post-closing adjustment and was paid to us on November 5, 2009 and (3) a contingent payment of \$2.9 million (€2 million) to be paid upon post-transaction completion of agreements relating to certain assets of Toreador Hungary. The sale of Toreador Hungary was completed on September 30, 2009 and resulted in a loss of \$4.1 million.

[Table of Contents](#)

The results of operations of assets in Romania, Turkey and Hungary have been presented as discontinued operations in the accompanying consolidated statement of operations. Results for these assets reported as discontinued operations were as follows:

	Three Months Ended September 30,	
	2010	2009
Revenue and other income		
Sales and other operating revenue	\$ —	\$ 1,632
Operating costs and expenses:		
Lease operating expense	—	381
Exploration expense	—	136
Dry hole costs	—	1,318
Depreciation, depletion and amortization	—	52
Accretion on discounted assets and liabilities	—	—
Impairment of oil and natural gas properties	—	5,425
General and administrative expense	106	1,720
(Gain) loss on sale of properties and other assets	—	4,171
Total operating costs and expenses	—	13,203
Operating loss	(106)	(11,571)
Other income (expense)		
Foreign currency exchange gain	—	1,190
Interest and other income	—	18
Loss on early extinguishment of debt — revolving credit facility	—	—
Other expense	81	—
Interest expense, net of interest capitalized	—	(155)
Loss before income taxes	(187)	(10,518)
Income tax provision	(104)	—
Net loss from discontinued operations	\$ (291)	\$ (10,518)

We had no sales and other operating revenue from discontinued operations for the three months ended September 30, 2010 due to the sale of all our discontinued operations in 2009. We recorded in discontinued operations for the three months ended September 30, 2010 the following expenses: \$106,000 of general administrative expense due to legal costs associated to the Netherby dispute, \$81,000 for payments made to Hunnisett and Barker in connection with the Overriding Royalty and \$104,000 of additional tax related to Toreador Hungary Limited activities in 2009. We thus recorded a loss of \$291,000 from discontinued operations in the three months ending September 30, 2010.

The following tables present production and average unit prices for Turkey:

	For the Three Months Ended September 30,	
	2010	2009
Production:		
Oil (MBbls):		
Turkey	—	14
Gas (MMcf):		
Turkey	—	105
MBOE:		
Turkey	—	32

[Table of Contents](#)

	For the Three Months Ended September 30,	
	2010	2009
Average Price:		
Oil (\$/Bbl):		
Turkey	—	\$ 58.65
Gas (\$/Mcf):		
Turkey	—	\$ 7.62
\$/BOE:		
Turkey	—	\$ 51.52

Other comprehensive income

The most significant element of comprehensive income, other than net income, is foreign currency translation. For the three months ended September 30, 2010, we had accumulated an unrealized income of \$7.3 million as compared to an unrealized loss of \$2.0 million for the comparable period in 2009. This change is primarily due to the weakening of the U.S. dollar compared to the Euro for the three months ended September 30, 2010 compared to the three months ended September 30, 2009.

The functional currency of our operations in France is the Euro. The functional currency in Turkey and Hungary was the U.S. dollar. The exchange rates at September 30, 2010 and September 30, 2009 were:

	September 30,	
	2010	2009
Euro	\$ 1.3648	\$ 1.4643
New Turkish Lira	—	\$ 0.0674
Hungarian Forint	—	\$ 0.0054

COMPARISON OF THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

The following tables present production and average unit prices for the geographic segments indicated:

	For the Nine Months Ended September 30,	
	2010	2009
Production:		
Oil (MBbls):		
France	241	248

	For the Nine Months Ended September 30,	
	2010	2009
Average Price:		
Oil (\$/Bbl):		
France	\$ 74.81	\$ 51.93

Revenue

Sales and other operating revenue

Sales and other operating revenue for the nine months ended September 30, 2010 were \$17.5 million, as compared to \$13.1 million for the nine months ended September 30, 2009. This increase is primarily due to the global increase in oil prices, which led to an increase in the prices at which we sell our oil from an average of \$51.93 per barrel in the nine months ended September 30, 2009 to an average of \$74.81 per barrel in the nine months ended September 30, 2010.

The above table compares both volumes and prices received for oil for the nine months ended September 30, 2010 and 2009. Oil prices have been very volatile over the nine months ended September 30, 2010, and we expect will continue to be extremely volatile for the remainder of the fiscal year 2010. The results of our operations are highly dependent upon the prices received from our oil production, which are dependent on numerous factors beyond our control. Accordingly, significant changes to oil prices are likely to have a material impact on our financial condition, results of operation, cash flows and revenue.

Other income

Other income for the nine months ended September 30, 2010 was \$15.6 million, which represented (i) the \$15 million upfront payment received from Hess on June 10, 2010 under the Investment Agreement and (ii) \$560,000 invoiced to Hess under the terms of the Investment Agreement for all personal general and administrative costs associated with its activities as operator of the exploration permits in the Paris Basin, compared to \$121,000 recorded for the same period of 2009 related to the sale of a royalty interest in producing properties located in Canada. These properties had a zero cost basis and were acquired in connection with the acquisition of Madison Oil in 2003.

Costs and expenses

Lease operating expense

Lease operating expense was \$7.3 million, or \$30.42 per BOE produced, for the nine months ended September 30, 2010, as compared to \$5.0 million, or \$20.16 per BOE produced for the nine months ended September 30, 2009.

This increase is mainly due to the reclassification of certain costs associated with particular properties as lease operating expenses including (i) \$848,000 relating to taxes associated with oil production and (ii) approximately \$1.6 million in the aggregate relating to costs associated with production sites and additional Paris headquarter expenses (which in the nine months ending September 30, 2009 were classified as general and administrative expenses, but following formation of the strategic partnership with Hess are mainly incurred in connection with our existing oil production and conventional reservoirs development and therefore reclassified as lease operating expenses). In addition, lease operating expense for the nine months ended September 30, 2010 also included expense due to crude oil inventory decrease for an amount of \$336,000.

Exploration expense

Exploration expense for the nine months ended September 30, 2010 was \$1.3 million, as compared to \$130,000 for the nine months ended September 30, 2009. This increase is due primarily to expenses associated with geological and technical studies the Company conducted and commissioned in connection with the shale oil development project.

[Table of Contents](#)

Depreciation, depletion and amortization

Depreciation, depletion and amortization for the nine months ended September 30, 2010 was \$2.8 million compared to \$4.2 million for the nine months ended September 30, 2009. This decrease is due to a longer production life estimate for our existing wells according to a Gaffney, Cline & Associates Ltd. report of our reserves at December 31, 2009.

Accretion expense

Accretion expense for the nine months ended September 30, 2010 was \$159,000 (positive) as compared to \$365,000 for the nine months ended September 30, 2009. The accretion expense is composed of \$189,000 as asset retirement obligation expense and \$348,000 of accretion impact (positive) related to the fair value of the 8.00%/7.00% Convertible Senior Notes.

Impairment of oil and gas properties

We incurred no impairment charge for the nine months ended September 30, 2010. For the nine months ended, September 30, 2009, we recorded impairment to oil and gas properties totaling \$5.3 million. We review our proved and unproved oil and natural gas properties for impairment on an annual basis or whenever events and circumstances indicate a potential decline in the recoverability of their carrying value. For the period ended September 30, 2009, the impairment of \$5.3 million (which is recorded in discontinued operations) is a result of a decline in the fair market value of the Company's interest in South Akcakoca Sub-Basin asset in Turkey. The fair market value declined during the first quarter of 2009 due to a 25.00% reduction in the posted sales price of natural gas produced in Turkey announced on May 1, 2009.

General and administrative before stock compensation expense

General and administrative expense, excluding stock compensation expense, was \$7.0 million for the nine months ended September 30, 2010 compared to \$11.8 million for the nine months ended September 30, 2009. This decrease is due to the effort started in 2009 to reduce general and administrative expense as well as to the reclassification of certain oil production related expenses to lease operating expenses. In addition, the general and administrative expense for 2009 also included costs associated with the relocation of corporate headquarters, subsidiary sales and resignation of former officers.

Stock compensation expense

Stock compensation expense was \$2.6 million for the nine months ended September 30, 2010 compared to \$2.8 million for the nine months ended September 30, 2009. Stock compensation expense includes directors annual stock granting of immediately vested shares for \$650,000.

[Table of Contents](#)*Gain on oil and gas derivative contracts*

Gain on oil and gas derivative contracts for the nine months ended September 30, 2010 was \$ 709,000 (as compared to an unrealized income of \$7,000 for the nine months ended September 30, 2009) representing the unrealized gain on the commodity derivative contracts with Vitol Trading. We had derivative contracts covering only the period from July 1 to December 31 in 2009. Presented in the table below is a summary of the contract entered into:

Type	Period	Barrels	Floor	Ceiling	Unrealized gain for nine months September 30, 2010
Collar	January 1, 2010 - December 31, 2010	182,500	\$ 68.00	\$ 81.00	\$ (709)

Foreign currency exchange gain (loss)

We recorded a loss on foreign currency exchange of \$1.3 million for the nine months ended September 30, 2010 compared with a gain of \$0.1 for the nine months ended September 30, 2009. This increase is mainly due to the fact that Toreador Energy France booked a loss on foreign currency exchange in its statutory accounts in Euro over the three months ended September 30, 2010 due to the receipt on June 10, 2010 of the \$15 million upfront payment from Hess under the Investment Agreement combined with the weakening of the U.S. dollar compared to the Euro over the same period (this loss having been recorded in the financial statements of the Company for the third quarter of 2010 in accordance with FAS 52 "Foreign Currency Translation").

Loss (gain) on the early extinguishment of debt

We recorded a loss of \$4.3 million on the early extinguishment of debt compared to a gain of \$3.4 million for the nine months ended nine months ended September 30, 2009. This loss occurred following the Convertible Notes Exchange on February 1, 2010. In 2009 the Company repurchased \$25.7 million face value of the 5.00% Convertible Senior Notes on the open market for \$21.3 million, resulting in a gain on the early extinguishment of debt of \$3.4 million after writing off deferred loan costs of approximately \$1 million.

Interest expense, net of capitalized interest

Interest expense, net of capitalized interest was \$4.4 million for the nine months ended September 30, 2010, as compared to \$1.8 million for the nine months ended September 30, 2009. The increase is mainly due to the interest payments relating to the New Convertible Senior Notes issued in February 2010, which was offset by decreased interest payments relating to the 5.00% Convertible Senior Notes, of which \$22.2 million of the aggregate principal amount outstanding were exchanged for a portion of the New Convertible Senior Notes in the Convertible Notes Exchange. Interest expense for the New Convertible Senior Notes was \$1,687,000 for the nine months ended September 30, 2010 as compared to zero for the nine months ended September 30, 2009. Interest expense for the 5.00% Convertible Senior Notes was \$1,307,000 for the nine months ended September 30, 2010 as compared to \$2,611,000 for the nine months ended September 30, 2009. Amortization of \$1,408,522 was recorded for the period ended September 30, 2010 compared to \$145,280 for the period ended September 30, 2009, due to the change in estimate of the lives of the issue premium and debt issuance costs associated to 5.00% Convertible Senior Notes and to the New Convertible Senior Notes (See Note 5 — "Change in Depreciable Lives of Issue Premium and Debt Issuance Costs").

[Table of Contents](#)

Income tax (benefit) provision

An income tax provision of \$5.7 million was recorded in the nine months ended September 30, 2010, compared to a tax benefit of \$1.0 million recognized for the nine months ended September 30, 2009. This increase is due to the provision for income tax payable in France for the year ended December 31, 2010 as a result of the \$15 million upfront payment from Hess under the Investment Agreement together with earnings estimate for operations in France based on oil production activity.

Discontinued operations

In the fourth quarter of 2008 and during the first quarter of 2009, Toreador farmed out or sold all of its working interests in Romania to three different companies and closed its office; thus, we no longer have any operational involvement in Romania. This resulted in a gain of \$5.8 million, which was recorded in the first quarter of 2009.

On March 3, 2009 we completed the sale of a 26.75% interest in the South Akcakoca Sub-Basin (SASB) project associated licenses located in the Black Sea offshore Turkey, to Petrol Ofisi for \$55 million. In accordance with the revised assignment announced on February 3, 2009, \$50 million of the proceeds was paid by Petrol Ofisi on March 3, 2009, and the remaining \$5 million was paid on September 1, 2009. There was no gain or loss resulting from this sale.

On September 30, 2009, the Company entered into the Share Purchase Agreement with Tiway, and Tiway Oil AS, a company organized under the laws of Norway, pursuant to which the Company agreed to sell 100% of the outstanding shares of Toreador Turkey Ltd. to Tiway for total consideration consisting of: (1) a cash payment of \$10.5 million to be paid at closing, (2) exploration success payments dependent upon certain future commercial discoveries as provided in the Share Purchase Agreement, up to a maximum aggregate consideration of \$40 million, and (3) future quarterly 10% pre-tax net profit interest payments if a field goes into production that was discovered by an exploration well drilled within four years of closing on certain of the licenses then still held by Tiway. The sale of Toreador Turkey Ltd. was completed on October 7, 2009 and resulted in a gain of \$1.8 million.

On September 30, 2009, the Company entered into the Quota Purchase Agreement RAG, pursuant to which the Company agreed to sell 100% of its equity interests in Toreador Hungary Limited to RAG for total consideration consisting of (1) a cash payment of \$5.4 million (€ 3.7 million) paid at closing, (2) \$435,000 (€ 300,000), which was held back subject to a post-closing adjustment and was paid to us on November 5, 2009 and (3) a contingent payment of \$2.9 million (€2 million) to be paid upon post-transaction completion of agreements relating to certain assets of Toreador Hungary. The sale of Toreador Hungary was completed on September 30, 2009 and resulted in a loss of \$4.1 million.

[Table of Contents](#)

The results of operations of assets in Romania, Turkey and Hungary have been presented as discontinued operations in the accompanying consolidated statement of operations. Results for these assets reported as discontinued operations were as follows:

	Nine Months Ended September 30,	
	2010	2009
Revenue and other income		
Sales and other operating revenue	\$ —	\$ 4,545
Operating costs and expenses:		
Lease operating expense	—	886
Exploration expense	—	868
Dry hole costs	—	1,318
Depreciation, depletion and amortization	—	157
Accretion on discounted assets and liabilities	—	—
Impairment of oil and natural gas properties	—	10,725
General and administrative expense	763(1)	3,424
(Gain) loss on sale of properties and other assets	—	(1,675)
Total operating costs and expenses	763	15,703
Operating loss	(763)	(11,158)
Other income (expense)		
Foreign currency exchange gain	—	3,822
Interest and other income	—	414
Loss on early extinguishment of debt — revolving credit facility	—	(4,881)
Other expense	246	—
Interest expense, net of interest capitalized	—	(185)
Loss before income taxes	(1,009)	(11,988)
Income tax provision	(104)	—
Net loss from discontinued operations	\$ (1,113)	\$ (11,988)

We had no sales and other operating revenue from discontinued operations for the nine months ending September 30, 2010 due to the sale of all our discontinued operations in 2009. For the nine months ending September 30, 2010, we recorded \$763,000 as general and administrative expense associated with the payment made to Scowcroft under the Settlement Agreement on April 30, 2010 and associated legal costs, \$246,000 for legal costs associated to the Netherby dispute and payments made to Hunnisett and Barker with respect to the Overriding Royalty, and \$104,000 of additional tax associated with Toreador Hungary Limited activities in 2009. We thus recorded a loss of \$1.1 million from discontinued operations for the nine months ending September 30, 2010.

The following tables present production and average unit prices for Turkey:

	For the Nine Months Ended September 30,	
	2010	2009
Production:		
Oil (MBbls):		
Turkey	—	39
Gas (MMcf):		
Turkey	—	301
MBOE:		
Turkey	—	89

[Table of Contents](#)

	For the Nine Months Ended	
	September 30,	
	2010	2009
Average Price:		
Oil (\$/Bbl):		
Turkey	—	\$ 49.79
Gas (\$/Mcf):		
Turkey	—	\$ 8.64
\$/BOE:		
Turkey	—	\$ 50.94

Other comprehensive income

The most significant element of comprehensive income, other than net income, is foreign currency translation. For the nine months September 30, 2010, we had accumulated an unrealized income of \$0.7 million as compared to an unrealized loss of \$4.3 million for the comparable period in 2009. This change is primarily due to the weakening of the U.S. dollar compared to the Euro for the nine months September 30, 2010 compared to the nine months September 30, 2009.

The functional currency of our operations in France is the U.S. dollar. The functional currency in Turkey and Hungary was the U.S. dollar. The exchange rates at September 30, 2010 and September 30, 2009 were:

	September 30,	
	2010	2009
Euro	\$ 1.3648	\$ 1.4643
New Turkish Lira	—	\$ 0.0674
Hungarian Forint	—	\$ 0.0054

Off-balance sheet arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the Company's market risk during the three months ended September 30, 2010. For additional information, refer to the market risk disclosure in Item 7A as presented in the Company's Annual Report on Form 10-K, for the year ended December 31, 2009, which was filed with the SEC on March 16, 2010.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC.

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this quarterly report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of September 30, 2010 were not effective due to the following material weakness identified in our Annual Report on Form 10-K filed on March 16, 2010 and still in existence today:

- Our accounting and financial reporting procedures were not sufficiently designed to ensure consistent and complete application of our accounting policies and to prepare financial statements in accordance with accounting principles generally accepted in the United States. This includes the lack of a sufficient review of sensitive calculations, reconciliations and critical spreadsheets by personnel in key financial reporting positions.

We are committed to improving our internal controls over financial reporting. As part of this commitment, the Company has reinforced during the third quarter of 2010 the initial measures taken over the six first months of 2010 to strengthen the control and review of sensitive calculations, reconciliations and critical spreadsheets. During 2010, we have taken the following actions to date to address the material weakness:

- Hired additional staff, as well as increased external resources provided by our independent registered public accounting firm with respect to the financial consolidation process, the preparation and review of sensitive calculations and spreadsheets.
- Implemented additional review and reconciliation policies and procedures. In addition, Deloitte Conseil is currently conducting a review of key accounting and financial reporting procedures and is expected to propose necessary additional changes, if any, by the end of November 2010.
- Initiated upgrade of certain accounting and consolidation software as well as implemented certain software designed to assist in the preparation of annual and quarterly reports.

The Company has also strengthened its internal control regarding contracts, guarantees and other commitments approval.

We will continue to monitor and evaluate the effectiveness of our internal controls and procedures and our internal controls over financial reporting on an ongoing basis and are committed to taking further action and implementing additional enhancements or improvements.

Change in Internal Control over Financial Reporting

Except as otherwise indicated above, there have been no changes in our internal control over financial reporting during the quarter ended September 30, 2010 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See “Note 11 — Commitments and Contingencies,” which is incorporated into this “Item 1. Legal Proceedings” by reference.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors previously discussed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2009, which was filed with the SEC on March 16, 2010.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Share Repurchase Program

On May 27, 2010, the Board of Directors authorized a share repurchase program for the repurchase of up to \$5 million of shares of Toreador common stock in the open market or in private transactions at the discretion of management over the next 12 months. The Company has no obligation to repurchase shares under the program, and the program may be suspended at any time. As of September 30, 2010, no shares of Toreador common stock have been repurchased pursuant to the share repurchase program.

ITEM 6. EXHIBITS

Exhibit Number	Description	Incorporation by Reference
31.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed Herewith.
31.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed Herewith.
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Filed Herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Form 10-Q report to be signed on its behalf by the undersigned thereunto duly authorized.

TOREADOR RESOURCES CORPORATION

November 9, 2010 /s/ Craig M. McKenzie

Craig M. McKenzie
President and Chief Executive Officer

November 9, 2010 /s/ Marc Sengès

Marc Sengès
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Craig M. McKenzie, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of Toreador Resources Corporation;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2010

/s/ Craig M. McKenzie

Craig M. McKenzie
President and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Marc Sengès, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of Toreador Resources Corporation;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2010

/s/ Marc Sengès

Marc Sengès

Chief Financial Officer

(Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of Toreador Resources Corporation (the "Company"), does hereby certify, to such officer's knowledge, that: the Quarterly Report on Form 10-Q, for the period ended September 30, 2010 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Form 10-Q.

Dated: November 9, 2010

/s/ Craig M. McKenzie
Craig M. McKenzie
President and Chief Executive Officer
(Principal Executive Officer)

Dated: November 9, 2010

/s/ Marc Sengès
Marc Sengès
Chief Financial Officer
(Principal Financial Officer)

The foregoing certification is being furnished as an exhibit to the Form 10-Q pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and, accordingly, is not being filed as part of the Form 10-Q for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

EXHIBIT III

**DEFINITIVE PROXY STATEMENT ON SCHEDULE 14A, FILED BY TOREADOR WITH
THE SEC ON MAY 3, 2010**

Use these links to rapidly review the document

[TOREADOR RESOURCES CORPORATION TABLE OF CONTENTS](#)

[Table of Contents](#)

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

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 under §240.14a-12

Toreador Resources Corporation

(Name of Registrant as Specified In Its Charter)

N/A

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:
- (5) Total fee paid:
- Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:



[Table of Contents](#)



TOREADOR

Toreador Resources Corporation

**Notice of 2010
Annual Meeting
of Stockholders
and Proxy Statement**

**Please Complete, Sign, Date
And Return Your Proxy Promptly**

**Thursday, June 3, 2010
11:00 a.m. EDT
W New York-Times Square
Studios 2 & 3, Fifth Floor
1567 Broadway
New York, NY 10036**



TOREADOR

Toreador Resources Corporation
c/o Toreador Holding SAS
9 rue Scribe
75009 Paris, France
+33 1 47 03 34 24
+33 1 47 03 33 71

May 3, 2010

Dear Toreador Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Toreador Resources Corporation. The meeting will be held at 11:00 a.m. EDT on Thursday, June 3, 2010, at the W New York–Times Square, Studios 2 & 3, Fifth Floor, 1567 Broadway, New York, NY 10036. Your Board of Directors and management look forward to greeting those of you able to attend in person.

- You will find enclosed a **Notice of Annual Meeting of Stockholders** that identifies the proposals for your action.
- At the meeting we will present a report on Toreador's 2009 business results, current plans and other matters of current interest to you.
- You will also find enclosed Toreador's 2009 Annual Report.

Your vote is very important. The Board of Directors appreciates and encourages stockholder participation in Toreador's affairs. Whether or not you can attend the meeting, please read the proxy statement carefully, then sign, date and return the enclosed proxy promptly in the envelope provided, or vote via the internet or by telephone, as described in the instructions included with your proxy card, so that your shares will be represented at the meeting.

On behalf of the Board of Directors, thank you for your cooperation and continued support.

Sincerely,

A handwritten signature in black ink, appearing to read 'P. Hill'.

Peter Hill
Non-Executive Chairman of the Board of Directors

TOREADOR RESOURCES CORPORATION

c/o Toreador Holding SAS
9 rue Scribe
75009 Paris, France

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held on Thursday, June 3, 2010**

To Our Stockholders:

The Annual Meeting of Stockholders (the "Annual Meeting") of Toreador Resources Corporation, a Delaware corporation ("Toreador" or the "Company") will be held on Thursday, June 3, 2010, at 11:00 a.m. EDT at the W New York–Times Square, Studios 2 & 3, Fifth Floor, 1567 Broadway, New York, NY 10036, for the following purposes:

- To elect members of the Board of Directors, whose terms are described in the proxy statement;
- To approve an amendment to our Restated Certificate of Incorporation to increase the number of authorized shares of common stock from 30 million shares to 50 million shares;
- To approve an amendment to the Toreador Resources Corporation 2005 Long-Term Incentive Plan; and
- To transact such other business, if any, as may properly come before the Annual Meeting or any adjournment thereof.

The Board of Directors has no knowledge of any other business to be transacted at the Annual Meeting.

Only stockholders of record of Toreador common stock at the close of business on April 7, 2010 are entitled to notice of and to vote at the Annual Meeting or any adjournment thereof.

A record of Toreador's activities is contained in the enclosed 2009 Annual Report.

Dated: May 3, 2010

Sincerely,



Peter Hill

Non-Executive Chairman of the Board of Directors

WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING IN PERSON, PLEASE MARK, SIGN AND DATE THE ENCLOSED PROXY AND RETURN IT PROMPTLY IN THE ACCOMPANYING ENVELOPE OR VOTE VIA THE INTERNET OR BY TELEPHONE, AS DESCRIBED IN THE INSTRUCTIONS INCLUDED WITH YOUR PROXY CARD. IF YOU DO ATTEND THE ANNUAL MEETING IN PERSON, YOU MAY WITHDRAW YOUR PROXY AND VOTE IN PERSON. THE PROMPT RETURN OF PROXIES WILL HELP TO ENSURE A QUORUM AND SAVE TOREADOR THE EXPENSE OF FURTHER SOLICITATION.

**Important Notice Regarding the Availability of Proxy Materials for the
Annual Meeting of Stockholders to be Held on June 3, 2010**

This Proxy Statement and the Annual Report for the fiscal year ended December 31, 2009 are available for viewing, printing and downloading at <https://materials.proxyvote.com/891050>.

**TOREADOR RESOURCES CORPORATION
TABLE OF CONTENTS**

	<u>Page</u>
<u>GENERAL</u>	<u>1</u>
<u>Proxies</u>	<u>1</u>
<u>Voting Procedures and Tabulation</u>	<u>2</u>
<u>Voting Securities</u>	<u>2</u>
<u>PROPOSAL ONE: ELECTION OF DIRECTORS</u>	<u>3</u>
<u>General</u>	<u>3</u>
<u>Nominees for Directors</u>	<u>4</u>
<u>BOARD OF DIRECTORS</u>	<u>9</u>
<u>Board Attendance Policy</u>	<u>9</u>
<u>Stockholder Communications with Directors</u>	<u>9</u>
<u>COMMITTEES</u>	<u>9</u>
<u>Nominating and Corporate Governance Committee</u>	<u>9</u>
<u>Process of Identifying and Evaluating Director Nominees</u>	<u>10</u>
<u>Criteria for Evaluating Director Nominees</u>	<u>10</u>
<u>Consideration of Stockholder Recommendations of Director Candidates</u>	<u>11</u>
<u>Audit Committee</u>	<u>12</u>
<u>Report of the Audit Committee</u>	<u>12</u>
<u>Compensation Committee</u>	<u>13</u>
<u>Compensation Committee Interlocks and Insider Participation</u>	<u>14</u>
<u>Strategic Committee</u>	<u>14</u>
<u>EXECUTIVE COMPENSATION</u>	<u>15</u>
<u>Compensation Discussion and Analysis</u>	<u>15</u>
<u>Compensation Philosophy and Objectives</u>	<u>15</u>
<u>Determination of Compensation</u>	<u>15</u>
<u>Elements of Compensation</u>	<u>16</u>
<u>Compensation Decisions in 2009</u>	<u>17</u>
<u>Compensation Decisions in 2010</u>	<u>19</u>
<u>Compensation Committee Report</u>	<u>19</u>
<u>Summary Compensation Table</u>	<u>20</u>
<u>Grants of Plan-Based Awards</u>	<u>21</u>
<u>Narrative Disclosure Regarding Summary Compensation Table and Grants of Plan-Based Awards Table</u>	<u>21</u>
<u>Outstanding Equity Awards at Fiscal Year-End</u>	<u>25</u>
<u>Option Exercises and Stock Vested in 2009</u>	<u>25</u>
<u>Potential Payments Upon Termination or Change in Control</u>	<u>25</u>
<u>Director Compensation</u>	<u>27</u>
<u>SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS</u>	<u>28</u>
<u>EXECUTIVE OFFICERS</u>	<u>29</u>
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	<u>29</u>
<u>PROPOSAL TWO: AMENDMENT TO RESTATED CERTIFICATE OF INCORPORATION</u>	<u>32</u>
<u>General</u>	<u>32</u>
<u>Reasons for and Effects of the Proposal</u>	<u>32</u>
<u>Amendment to Restated Certificate of Incorporation</u>	<u>33</u>
<u>Vote Required</u>	<u>33</u>
<u>Effectiveness of Amendment</u>	<u>33</u>
<u>PROPOSAL THREE: AMENDMENT OF THE 2005 LONG-TERM INCENTIVE PLAN</u>	<u>33</u>
<u>INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	<u>37</u>
<u>Fees Billed by Grant Thornton During Fiscal Years 2009 and 2008</u>	<u>37</u>
<u>Pre-Approval Policies</u>	<u>38</u>
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	<u>38</u>
<u>Related-Party Transaction Policy</u>	<u>38</u>
<u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	<u>39</u>
<u>CODE OF CONDUCT</u>	<u>39</u>
<u>HOUSEHOLDING</u>	<u>39</u>
<u>STOCKHOLDER PROPOSALS FOR 2011 ANNUAL MEETING</u>	<u>40</u>
<u>ANNUAL REPORT AND FINANCIAL STATEMENTS</u>	<u>40</u>

TOREADOR RESOURCES CORPORATION

c/o Toreador Holding SAS

9 rue Scribe

75009 Paris, France

+33 1 47 03 34 24

PROXY STATEMENT

For Annual Meeting of Stockholders To Be Held on Thursday, June 3, 2010

GENERAL

Your proxy is being solicited by the Board of Directors of Toreador Resources Corporation ("Toreador" or the "Company") for use at the 2010 Annual Meeting of Stockholders of Toreador (the "Annual Meeting"). The Annual Meeting will be held on Thursday, June 3, 2010, at 11:00 a.m. EDT at the W New York–Times Square, Studios 2 & 3, Fifth Floor, 1567 Broadway, New York, NY 10036. This proxy statement and form of proxy are being sent to you on or about May 3, 2010.

Toreador will bear the cost of soliciting proxies. We have retained Broadridge Investor Communication Solutions, Inc., a proxy solicitation firm, to distribute broker search cards, this proxy statement, the attached form of proxy card and our 2009 Annual Report, to provide the website hosting of the proxy statement and 2009 Annual Report, and to solicit proxies for a fee of approximately \$25,000, plus certain out-of-pocket expenses. Additionally, we may use our officers and employees to solicit proxies in person or by telephone, facsimile or similar means (any officers or employees soliciting proxies will not receive any extra compensation for their efforts). We may also reimburse brokers or other persons holding stock in their names or in the names of their nominees for their charges and expenses in forwarding proxies and proxy materials to the beneficial owners of such stock.

Proxies

Shares represented by a proxy in the form provided to you with this proxy statement will be voted at the Annual Meeting in accordance with your directions. To be valid and counted at the Annual Meeting, you must properly sign, date and return the proxy card to us or vote via the internet or by telephone, as described in the instructions included with your proxy card. If you do not provide any direction as to how to vote your shares, your shares will be voted:

- FOR the election of the seven nominees for directors named in the proxy card;
- FOR the approval of an amendment to our Restated Certificate of Incorporation to increase the number of authorized shares of common stock from 30 million shares to 50 million shares; and
- FOR the approval of an amendment to the Toreador Resources Corporation 2005 Long-Term Incentive Plan.

Although the Board of Directors knows of no other business to come before the Annual Meeting, the persons named in the proxy card intend to vote on any such new matters in accordance with their best judgment. Adjournments or postponements of the Annual Meeting may be made for the purpose of, among other things, soliciting additional proxies. Any adjournment may be made from time to time by approval of the holders of Toreador common stock representing a majority of the vote present in person or by proxy at the Annual Meeting, provided that a quorum does not exist, without further notice other than by an announcement made at the Annual Meeting.

You may revoke your proxy at any time before it has been voted at the Annual Meeting by giving written notice of such revocation to the Secretary of Toreador, by submitting a proxy having a later date or by withdrawing your proxy and voting in person at the Annual Meeting.

Voting Procedures and Tabulation

One-third of the shares of outstanding Toreador common stock entitled to vote, present at the Annual Meeting, in person or proxy, will constitute a quorum at the Annual Meeting. For purposes of the quorum and the discussion below regarding the votes necessary to take the requested stockholder action (i) stockholders of record who are present at the Annual Meeting in person or by proxy and who abstain, including brokers holding customers' shares of record who cause abstentions to be recorded at the Annual Meeting, are considered stockholders who are present and entitled to vote and they are counted toward the quorum, and (ii) stockholders of record who cause broker non-votes are considered stockholders who are present and entitled to vote and they are counted toward the quorum so long as they are entitled to vote on at least one matter.

Brokers holding shares of record for customers generally are not entitled to vote on certain matters unless they receive voting instructions from their customers. "Broker non-votes" means the votes that could have been cast on the matter in question by brokers with respect to uninstructed shares if the brokers had received their customers' instructions. "Uninstructed shares" means shares held by a broker who has not received instructions from its customers on such matters and the broker has so notified us on a proxy form or has otherwise advised us that the broker lacks voting authority.

Election of Directors. Assuming a quorum is present, directors are elected by a plurality of the votes of the shares represented in person or by proxy and entitled to vote. Votes may be cast in favor of, or withheld with respect to, each nominee. We will not count abstentions and broker non-votes for this purpose.

Amendment to Restated Certificate of Incorporation. Assuming a quorum is present, the proposal requires the affirmative vote of the holders of a majority of the shares of common stock outstanding on the record date. Abstentions and broker non-votes will effectively count as a vote against the proposal.

Approval of the Amendment to the 2005 Long-Term Incentive Plan. Assuming a quorum is present, approval of the amendment to the 2005 Long-Term Incentive Plan requires the affirmative vote, in person or by proxy, of a majority of the total votes cast on the proposal. Votes may be cast in favor of, or withheld with respect to, the amendment. We will not count abstentions and broker non-votes for this purpose.

We will appoint one or more inspectors of election to act at the Annual Meeting and to make a written report on the voting. Prior to the Annual Meeting, the inspectors will sign an oath to perform their duties in an impartial manner and to the best of their abilities. The inspectors will ascertain the number of shares outstanding and the voting power of each of the shares, determine the shares represented at the Annual Meeting and the validity of proxies and ballots, count all votes and ballots and perform certain other duties as required by law. The inspectors will tabulate the number of votes cast (i) for or withheld with respect to each nominee for director, (ii) for, against or abstaining with respect to the amendment to our Restated Certificate of Incorporation, (iii) for, against or abstaining with respect to the amendment to the Toreador Resources Corporation 2005 Long-Term Incentive Plan, and (iv) for, against or abstaining with respect to each other matter as may properly come before the Annual Meeting or any adjournment thereof.

Voting Securities

Only the shareholders of record at the close of business on April 7, 2010, the record date for the Annual Meeting, are entitled to notice of, and to vote at, the Annual Meeting. As of April 7, 2010, there were 24,941,155 shares of Toreador common stock, par value \$.15625 per share, outstanding. There is no other outstanding class of voting securities. Each share of Toreador common stock is entitled to one vote. All references to "stockholders" in this proxy statement refer to holders of Toreador common stock.

**PROPOSAL ONE:
ELECTION OF DIRECTORS**

General

The Board of Directors reviews and approves the management of Toreador's business and affairs, exercises all corporate powers and establishes broad corporate policies. The bylaws currently provide that the Board of Directors will consist of not less than six nor more than 15 directors, with the actual number determined from time to time by resolution of the Board of Directors. The Board of Directors has fixed the number of directors to be elected at the Annual Meeting at seven.

Directors are elected by plurality vote, and cumulative voting is not permitted. If any nominee should become unavailable for election for any presently unforeseen reason, the persons designated as proxies will have full discretion to vote for another person designated by the Board of Directors. Proxies cannot be voted for a greater number of persons than the number of nominees for the office of director named herein. Each director is elected to serve until the next Annual Meeting of Stockholders and until his successor has been elected and qualified or until such director's earlier resignation or removal.

The Company believes that the roles of Chairman of the Board of Directors and Chief Executive Officer should be held by separate persons as an aid in the Board's oversight of management. Moreover, the Chairman of the Board should be independent of the management of the Company. This policy is set forth in our Corporate Governance Guidelines and our bylaws. This structure allows our Chief Executive Officer, Craig McKenzie, to focus on the day-to-day operation of the business, while allowing our non-executive Chairman, Dr. Peter Hill, to focus on leadership of the Board of Directors in addition to providing a better and clearer direction on Company-wide issues such as shareholder interest. The Board of Directors also believes that there may be advantages to having an independent chairman for matters such as: facilitating communication and relations between the Board of Directors and senior management, seeking and adopting company-wide strategies and policies, ensuring effective director and management evaluation processes and overseeing effective implementation of Sarbanes-Oxley requirements.

The Board of Directors and its committees play a key role in overseeing the process for identification, assessment and mitigation of risks that are material to the Company, such as market, liquidity, reputational, operational and legal and compliance risks. In fulfilling this responsibility, the Board and its committees regularly consult with management to evaluate and, when appropriate, modify the Company's risk management strategies. In addition, the Board and its committees review and assess the Company's corporate governance and other policies and procedures. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire Board of Directors is regularly informed about such risks through regular committee reports. Management is responsible for day-to-day operations and regularly reports to the Board on enterprise or other risks.

The Audit Committee assists the Board of Directors in fulfilling its oversight responsibility relating to the performance of our system of internal controls, legal and regulatory compliance, our audit, accounting and financial reporting processes, related-person transactions, compliance with our Code of Ethical Conduct and Business Practices and major financial risk exposures and steps taken by management to monitor and control such exposures. The Compensation Committee is responsible for overseeing the management of risks relating to our compensation practices in order to ensure that they do not encourage unnecessary and excessive risk-taking by management. The Nominating and Corporate Governance Committee reviews and assesses the contents of our Corporate Governance Guidelines and Code of Ethical Business Conduct and Business Practices in managing risks related to corporate governance and business conduct and ethics.

Nominees for Directors

The seven nominees of the Board of Directors are named below. Each nominee has consented to serve as a director, if elected. All of the directors are presently directors of Toreador. The table below contains information regarding all current directors and nominees.

<u>NOMINEE</u>	<u>AGE</u>	<u>BACKGROUND</u>
Julien Balkany	29	<p>Mr. Balkany has served as a director of Toreador since January 2009.</p> <p>Mr. Balkany has been serving as a managing member and Chief Investment Officer of Nanes Balkany Partners LLC, the general partner of Nanes Balkany Partners I LP (formerly known as Nanes Delorme Partners I LP) since January 2008.</p> <p>Concomitantly, Mr. Balkany has been a Managing Director and Foreign Associate at Nanes Delorme Capital Management LLC, a New York-based broker-dealer firm, since March 2005.</p> <p>Mr. Balkany has also been serving as Chairman of the Advisory Board of Stellar Energy Ltd., a London-based investment boutique dedicated to the oil and gas industry, since April 2010.</p> <p>Mr. Balkany worked at Pierson Capital LLC, a U.S. private investment firm focused primarily on emerging markets, from 2003 to 2005. Prior to that, Mr. Balkany gained significant expertise in the Emerging Markets Debt Capital Markets Group of Bear Stearns & Co., Inc. Mr. Balkany studied Political Science at the Institute of Political Studies (France) and Finance at UC Berkeley. Mr. Balkany is also fluent in French and Spanish.</p> <p>Mr. Balkany brings to the Board of Directors a strong background in oil and gas industry financing, strategic advice, expertise in investment banking practices and a successful track record of energy equity investments.</p>

[Table of Contents](#)

<u>NOMINEE</u>	<u>AGE</u>	<u>BACKGROUND</u>
Bernard de Combret	67	<p>Mr. de Combret has served as a director of Toreador since September 2009.</p> <p>Mr. de Combret, a French citizen, is the former Deputy Chairman of the Executive Committee of Total. Mr. de Combret is currently non-executive Chairman of Coastal Energy Company and a non-executive director of Petrofac Ltd and Winstar Resources Ltd. He is also a member of the International Advisory Board of Banco Santander and a member of the Advisory Board of Reech AiM Partners LLP. Mr. de Combret spent 24 years from 1978 to 2002 (until he retired) with Elf and then Total where he held several executive positions, including but not limited to, Chief Executive for Refining/Marketing, Chief Executive for Gas, Power, and New Energy, and Chief Executive for Trading and Transportation. Mr. de Combret has also served as a member of the Board of Directors for various public companies including, among others, CEPSA, Intercontinental Exchange (ICE), Banco Central Hispano, and Maurel & Prom, and for subsidiaries of public companies (Atochem, Axa Re, Renault VI). Prior to joining the oil industry, Mr. de Combret was a high civil servant in France, holding senior positions in the Ministry of Finance and in the Ministry of Foreign Affairs. Mr. de Combret graduated from Ecole Polytechnique and Ecole Nationale d'Administration (ENA) and is fluent in French, English, and Spanish. Mr. de Combret brings to the Board of Directors a wealth of multi-national leadership and corporate governance experience, as well as strong financial and public policy track records.</p>
Peter J. Hill	62	<p>Dr. Hill has served as a director and Non-Executive Chairman of Toreador since January 2009.</p> <p>He has served as the President and CEO of Triangle Petroleum Corporation since November 2009. He was the Non-Executive Chairman of Austral Pacific from January 2006 to April 2008. From July 2000 to October 2005, he served as President and Chief Executive Officer of Harvest Natural Resources, a U.S. oil and gas exploration and production company. From January 1998 to June 2000, he was Technical Director of Hardy Oil & Gas in London. From March 1995 to September 1997, he served as Managing Director of Deminex and was responsible for its worldwide exploration and production activities. Prior to January 1995, he spent 22 years with BP plc, holding several senior positions, including Chief Geologist, Chief of Staff for BP Exploration, President of BP Venezuela and Regional Director for Central and South America. Dr. Hill brings to the Board of Directors over 35 years of industry experience, a strong record of corporate governance and value creation and a global geosciences background.</p>

[Table of Contents](#)

<u>NOMINEE</u>	<u>AGE</u>	<u>BACKGROUND</u>
Adam Kroloff	48	<p>Mr. Kroloff has served as a director of Toreador since June 2009.</p> <p>Mr. Kroloff is a Vice President (strategic projects) of BP plc with 20 years of experience in the oil and gas business. Mr. Kroloff has worked internationally for BP for more than a decade in roles at group-level and across each business division. His focus is governance, strategy and law. Prior to joining BP, Mr. Kroloff was a litigator. He holds a Juris Doctorate from the University of California, Hastings College of the Law and a Bachelor of Arts degree from Claremont McKenna College, and is a member of the California (inactive) and Alaska (active) bars. Mr. Kroloff is a Trustee of Skill Force Development, a charity that teaches life skills to at-risk youth. Mr. Kroloff brings to the Board of Directors extensive global industry experience in governance, strategy and the law, as well as a background in complex litigation.</p>
Craig M. McKenzie	46	<p>Mr. McKenzie has been our President and Chief Executive Officer since March 2009 and served as our interim President and Chief Executive Officer and a director beginning in January 2009.</p> <p>From October 2007 to December 2008, he was the Chief Executive Officer and Director of Canadian Superior Energy, Inc., a Canadian oil and gas exploration and production company. From May 2004 to September 2007, he was the President of BG Trinidad & Tobago of BG Group plc, an integrated natural gas company. He was a member of the Atlantic LNG shareholders' board from September 2004 to September 2007. From 1986 to May 2004, he was at BP plc (Amoco Corporation prior to the merger) where he held various senior level positions, including unit leader of North Sea Projects and Exploration, Executive Assistant in the office of the Group Chief Executive Officer and Negotiator within the Mergers and Acquisitions Group. Mr. McKenzie's industry experience includes working in over 20 countries in both operations and commercial positions, and he holds a BS degree in Petroleum Engineering from Louisiana State University and a Masters in Management from the Kellogg School of Management, Northwestern University. Mr. McKenzie brings to the Board of Directors a strong history of global operational, commercial and mergers and acquisition leadership experience.</p>

[Table of Contents](#)

<u>NOMINEE</u>	<u>AGE</u>	<u>BACKGROUND</u>
Ian Vann	61	<p>Mr. Vann has served as a director of Toreador since June 2009.</p> <p>Mr. Vann is an experienced oil and gas industry professional and executive. He was employed by BP plc, a major oil and gas company, for 30 years from 1976 to 2007. Mr. Vann served BP in a number of roles, including General Manager International Exploration, General Manager Africa, VP Exploration, Group Vice President Technology and Group Vice President Exploration and Business Development. During the last ten years of his service with BP, Mr. Vann was responsible for all exploration activity throughout the global portfolio of the company. Following his retirement from BP in 2007, Mr. Vann was appointed as non-executive director of Serica Energy PLC, an oil and gas exploration and production company listed in Toronto and London. Serica Energy is engaged in exploration and production activities in offshore NW Europe and in Indonesia. In 2008, Mr. Vann was appointed to the Board of Directors of Spectraseis AG, a privately owned company based in Zurich, Switzerland, supplying innovative seismic data acquisition and processing services to the oil industry. In 2010, Mr. Vann was elected as a Trustee and Board member of The Yard, a charity providing services for variously-abled children and their parents in Scotland. In 2007, Mr. Vann was appointed Visiting Professor within the Dept of Geology at Princeton University and Visiting Fellow within the Princeton Environmental Institute. Mr. Vann brings to the Board of Directors a long and intensive experience of upstream oil and gas activities throughout the world. His experience spans deep familiarity with the petroleum geology of most of the world's oil and gas basins, with the broad expanse of oil and gas technology and with the political and economic aspects of the oil business.</p>
Herbert C. Williamson III	61	<p>Mr. Williamson has served as a director of Toreador since January 2006.</p> <p>He is a private investor and has significant oil and gas experience with a strong focus on international activities. From July 2001 to June 2002, he was a part-time consultant to Petrie Parkman and Company for new business development. From April 1999 through July 2001 he was a Director and Interim Chief Financial Officer of Merlon Petroleum Company. From October 1998 through April 1999 he was a Director and Chief Financial Officer of Seven Seas Petroleum. From 1995 through 1998 he was a Director in the Energy Group of Credit Suisse. From 1985 until 1995, he was Vice Chairman and Executive Vice President at Parker & Parsley Petroleum Company. He holds an MBA degree from Harvard Business School (1977) and a BA degree from Ohio Wesleyan University (1970). He is also a director of Merlon International, a private oil and gas exploration company with primary operations in onshore Egypt. Mr. Williamson brings to the Board of Directors extensive industry experience as an executive and a consultant with a focus on finance, investment banking and general management.</p>

[Table of Contents](#)

Peter Falb served as a director emeritus and an advisor to the Board of Directors through December 31, 2009. The Company wishes to thank Mr. Falb for his years of loyalty and commitment to Toreador.

The Board of Directors has determined that each of the seven nominees standing for election at the Annual Meeting, other than Mr. McKenzie, is an "independent director" pursuant to Rule 5605(a)(2) of the Nasdaq Listing Rules. The Board of Directors determined that of our former directors who served on the Board of Directors during 2009, each of Alan Bell, Peter Falb, Nicholas Gay, John M. McLaughlin and Nicholas Rostow was an independent director.

Messrs. Balkany and McKenzie and Dr. Hill were appointed to the Board of Directors in January 2009 in connection with a Settlement Agreement (the "Settlement Agreement") entered into by the Company with Nanes Balkany Partners I LP (then a greater than 5% beneficial owner of our common stock), Nigel Lovett, then our President and Chief Executive Officer and a director, John Mark McLaughlin, then our Chairman of the Board of Directors, Mr. Balkany, Mr. McKenzie and Dr. Hill. Messrs. Balkany and McKenzie and Dr. Hill were nominated for election at the 2009 Annual Meeting pursuant to the terms of the Settlement Agreement. Mr. McKenzie was also appointed interim President and Chief Executive Officer in January 2009 pursuant to the terms of the Settlement Agreement. There are no arrangements or understandings between the nominees for directors and any other person pursuant to which the nominees were selected for this Annual Meeting.

On March 5, 2009, Canadian Superior Energy, Inc. filed a voluntary petition for bankruptcy protection under the Company's Creditors Arrangement Act (Canada) in the Court of Queen's Bench of Alberta; the company emerged from bankruptcy protection in September 2009. Craig McKenzie was the Chief Executive Officer and Director of Canadian Superior Energy, Inc. from October 2007 to December 2008. Other than as disclosed above none of our officers, directors or nominees has been involved in any legal proceedings that would be required to be disclosed under Item 401(f) of Regulation S-K.

**The Board of Directors recommends a vote FOR the election of
the nominees for director named above.**

BOARD OF DIRECTORS

The Board of Directors held eight regularly scheduled meetings and 10 special meetings during 2009. While serving as a director, no incumbent director attended fewer than 85% of Board meetings, and overall board attendance was 96%. In addition, no incumbent director attended fewer than 85% of the total number of meetings of all committees of the Board of Directors on which he served.

A copy of the Corporate Governance Guidelines is available for inspection on our website at www.toreador.net.

Board Attendance Policy

Toreador encourages all directors to attend Toreador's Annual Meeting of Stockholders. For the Annual Meeting of Stockholders held in June 2009, six of the seven directors nominated for election attended the Annual Meeting of Stockholders in person.

Stockholder Communications with Directors

Toreador has a process for stockholders to send their communications to the Board of Directors. Currently, any stockholder who desires to contact an individual director, the entire Board of Directors or a committee of the Board of Directors may send a written communication to the Secretary of Toreador by mail to Corporate Secretary, Toreador Resources Corporation, 13760 Noel Road, Suite 1100, Dallas, Texas 75240-1383. The Secretary will submit all stockholder communications to the appropriate directors, and will send a written acknowledgment to a stockholder upon receipt of his or her communication submitted in accordance with the provisions set forth in this proxy statement, in each case unless the communication is frivolous or includes advertising, solicitation for business, requests for employment, requests for contribution or a communication of a similar nature. A stockholder communication relating to Toreador's accounting, internal accounting controls or auditing will be referred to the members of the Audit Committee. A stockholder wishing to contact the directors may do so anonymously; however, stockholders are encouraged to provide the name in which Toreador's shares of stock are held and the number of such shares held.

The following communications to the directors will not be considered a stockholder communication: (i) communication from a Toreador officer or director; (ii) communication from a Toreador employee or agent, unless submitted solely in such employee's or agent's capacity as a stockholder; and (iii) any stockholder proposal submitted pursuant to Rule 14a-8 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

COMMITTEES

Toreador's Board of Directors has the following standing committees: Nominating and Corporate Governance Committee, Audit Committee, Compensation Committee and Strategic Committee.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee is currently composed of Messrs. Balkany, Kroloff and Williamson and Dr. Hill (Chairman). The functions of the Nominating and Corporate Governance Committee include: (i) recommending to the Board of Directors the nominees for the Board of Directors; (ii) recommending to the Board of Directors the nominees for the committees of the Board of Directors; (iii) reviewing and assessing the contents of our Code of Ethical Conduct and Business Practices and Corporate Governance Guidelines and recommending changes thereto to the Board of Directors and (iv) recommending to the Board of Directors appointment of the Chief Executive Officer and other key officers. The Nominating and Corporate Governance Committee held 10 meetings in 2009, and overall committee attendance was 97%.

A copy of the Nominating and Corporate Governance Committee Charter is available on our website at www.toreador.net.

Process of Identifying and Evaluating Director Nominees

The Nominating and Corporate Governance Committee is responsible for identifying and screening candidates for membership to the Board of Directors, using the criteria described below, and recommending director nominees to the Board of Directors. The committee considers various potential candidates for membership on the Board of Directors that come to the attention of the committee through current members of the Board of Directors, stockholders (as described below) or other persons. Additionally, the committee has the authority to retain a search firm and other expert advisors, as it deems necessary, to fulfill its responsibility of identifying candidates for membership on the Board of Directors and to determine, on behalf of Toreador, such firm's reasonable fees.

Each candidate, whether identified by the committee, recommended by a stockholder or otherwise, is evaluated in the same manner and according to the same process. The Nominating and Corporate Governance Committee assesses the appropriate mix of skills and characteristics required of members of the Board of Directors in the context of the perceived needs of the Board of Directors or any of its committees at a given point in time. The committee evaluates the qualifications of each candidate against the criteria outlined below, as well as any additional criteria it sees fit to consider in making its recommendation to the Board of Directors concerning a candidate's nomination for election or re-election as a director.

Although the committee has not adopted a policy with regard to the consideration of diversity in identifying director nominees, it recognizes the value of diversity and endeavors to ensure a Board of Directors with a diverse portfolio of backgrounds, skills and experiences. As such, the committee has not approved any specific minimum qualifications that must be met by a committee-recommended nominee for director. Instead the committee evaluates the qualifications of each candidate against the criteria outlined below, as well as any additional criteria it sees fit to consider in making its recommendation to the Board of Directors concerning a candidate's nomination for election or re-election as a director. We believe that our Board of Directors, led by a group of business leaders with varied backgrounds and disciplines related to the successful conduct of the oil and gas business, provide the necessary leadership, wisdom and experience the Company needs to make solid, strategic commercial decisions.

The committee measures performance of the Board of Directors through annual self-evaluation, regularly reviews Board needs and requirements against the balance and mix of skills of the Board as a whole and monitors relevant market trends and Securities and Exchange Commission ("SEC") requirements.

Criteria for Evaluating Director Nominees

Criteria that the Nominating and Corporate Governance Committee uses to consider potential members of the Board of Directors include the following:

- a candidate's depth of experience at the policy-making level in business, government or education;
- the balance of the business interest and experience of the incumbent or nominated directors;
- a candidate's availability and willingness to devote adequate time to Board of Directors duties;
- the need for any required expertise on the Board of Directors or one of its committees;
- a candidate's character, judgment, integrity, reputation and ability to make independent analytical, probing and other inquiries;

[Table of Contents](#)

- a candidate's willingness to exercise independent judgment;
- a candidate's financial independence to ensure such candidate will not be financially dependent on director compensation; and
- in the case of an incumbent director, such director's past performance on the Board of Directors.

The criteria described above are intended to provide a flexible set of guidelines for the effective functioning of Toreador's director nominations process and are reviewed as often as deemed appropriate.

Consideration of Stockholder Recommendations of Director Candidates

The Nominating and Corporate Governance Committee will consider a stockholder's recommendations concerning possible candidates for nomination to the Board of Directors if the stockholder meets the following requirements: (i) the stockholder is entitled to vote for the election of directors at the meeting; (ii) the stockholder is a stockholder of record of not less than 1% of outstanding shares of Toreador common stock at the time of the recommendation; and (iii) the stockholder submits a written recommendation to: Director Nominations, 13760 Noel Road, Suite 1100, Dallas, Texas 75240-1383.

The written submission must include the following information:

- the name and address, as they appear in Toreador's stock ledger, of the stockholder and the name and address of the beneficial owner of Toreador's shares of stock, if different from the record stockholder, on whose behalf the recommendation is made;
- the class and number of the shares of stock of Toreador that are owned beneficially and of record by the record stockholder and by the beneficial owner of Toreador's shares of stock, if different from the record stockholder, on whose behalf the recommendation is made;
- any material interest or relationship that such recommending record stockholder and/or the beneficial owner of Toreador's shares of stock, if different from the record stockholder, on whose behalf the recommendation is made, has with the recommended individual;
- biographical information concerning the recommended individual, including age and employment history (including employer names and a description of the employer's business);
- all previous and current board memberships or similar positions held by the recommended individual;
- any other information that the stockholder believes would aid the committee in its evaluation of the recommended individual;
- written consent of the recommended individual (i) to stand for election if nominated by the Board of Directors and to serve as director if elected by Toreador's stockholders, (ii) to comply with the expectations and requirements for service on the Board of Directors set forth in the Code of Ethical Conduct and Business Practices, Corporate Governance Guidelines and any other applicable rule, regulation, policy or standard of conduct applicable to the Board of Directors and its individual members and (iii) to provide all relevant information required to conduct an evaluation; and
- all other information relating to the recommended individual that may be required by applicable laws.

If the stockholder's director nominee is to be considered for election at Toreador's Annual Meeting of Stockholders, the written submission must be received not more than 180 days nor less than

120 days prior to the anniversary of Toreador's preceding Annual Meeting of Stockholders. If the stockholder's nominee is to be considered for election at a special meeting of stockholders or at Toreador's Annual Meeting of Stockholders the date of which changed by more than 30 days from the anniversary date of Toreador's preceding Annual Meeting of Stockholders, the stockholder's written submission must be received no later than the close of business on the tenth day following the earlier of (i) the day on which notice of the date of such meeting of stockholders was mailed or (ii) public disclosure, as defined in Toreador's bylaws, of the date of such meeting of stockholders was made.

The nominating process for stockholder recommendations concerning possible candidates for the nomination to the Board of Directors has not changed from the process disclosed in the 2009 proxy statement.

Audit Committee

The Audit Committee is currently composed of Messrs. Balkany, de Combret and Williamson (Chairman) and Dr. Hill. All members of the Audit Committee are independent pursuant to Rule 5605(a)(2) of the Nasdaq Listing Rules and Rule 10A-3(b)(1) under the Exchange Act. The Board of Directors has determined that Mr. Williamson is an "audit committee financial expert" as such term is defined in Item 407(d) of Regulation S-K. The Audit Committee held six meetings in 2009, and overall committee attendance was 93%.

A copy of the Audit Committee Charter is available on our website at www.toreador.net.

The purpose of the Audit Committee is to oversee (i) our accounting and financial reporting processes, (ii) the integrity of our financial statements and disclosures, (iii) our compliance with legal and regulatory requirements, (iv) the qualifications and independence of our independent auditing firm, (v) the performance of our internal audit function and independent auditor, (vi) our internal control systems, and (vii) our process for monitoring compliance with our Code of Ethical Conduct and Business Practices.

Report of the Audit Committee

The Audit Committee Charter sets forth the responsibilities of the Audit Committee which include: (i) selecting, evaluating and reviewing the independence of and approving services provided by our independent registered public accounting firm, (ii) reviewing the conduct of the audit, (iii) resolving disagreements between our management and our independent registered public accounting firm, (iv) reviewing critical accounting policies and practices and any proposed changes thereto, (v) reviewing Form 10-K and Form 10-Q prior to filing, and overseeing Toreador's procedures with respect to press releases containing information regarding financial performance, (vi) overseeing Toreador's internal audit function, (vii) reviewing and assessing the adequacy of Toreador's internal control systems, (viii) overseeing compliance with the Code of Ethical Conduct and Business Practices, (ix) reviewing and approving (if appropriate) related-party transactions, and (x) preparing the annual Audit Committee Report.

In fulfilling its responsibilities, the Audit Committee reviewed and discussed with management the audited financial statements in our Annual Report on Form 10-K for the year ended December 31, 2009, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements.

The Audit Committee reviewed and discussed with Grant Thornton, LLP ("Grant Thornton"), the Company's independent registered public accounting firm which is responsible for expressing an opinion on the conformity of those audited financial statements with accounting principles generally accepted in the United States, its judgments as to the quality, not just the acceptability, of Toreador's accounting principles. The Audit Committee also discussed with Grant Thornton the matters required

[Table of Contents](#)

to be discussed by Statement of Auditing Standards No. 61 (Communication with Audit Committees), as amended by Statement on Auditing Standards No. 90 (Audit Committee Communications), and applicable SEC rules and regulations. In addition, the Audit Committee has discussed with Grant Thornton its independence from management and Toreador, including the matters in the written disclosures and the letter provided to Toreador (and received and reviewed by the Audit Committee) by Grant Thornton, as required by applicable requirements of the Public Company Accounting Oversight Board regarding Grant Thornton's communications with the Audit Committee, and considered the compatibility of non-audit services with Grant Thornton's independence.

The Audit Committee discussed with Grant Thornton the overall scope and plans for its audits. The Audit Committee met with Grant Thornton, with and without management present, to discuss the results of its examinations, its evaluations of Toreador's internal controls, and the overall quality of Toreador's financial reporting.

The Audit Committee also reviewed management's report on its assessment of the effectiveness of the Company's internal control over financial reporting and Grant Thornton's report on the effectiveness of the Company's internal control over financial reporting. The Audit Committee discussed with management and Grant Thornton significant deficiencies and material weaknesses identified during the course of the assessment and the audit and management's plan to remediate those control deficiencies.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors (and the Board of Directors approved) that the audited financial statements be included in our Annual Report on Form 10-K for the year ending December 31, 2009 for filing with the SEC.

By the Audit Committee:

Herbert Williamson III, Chairman
Julien Balkany
Peter J. Hill
Bernard de Combret

Compensation Committee

The Compensation Committee is currently composed of Messrs. Kroloff (Chairman), de Combret and Vann and Dr. Hill. All members of the Compensation Committee are (i) independent pursuant to Rule 5605(a)(2) of the Nasdaq Listing Rules and (ii) "non-employee directors," as that term is defined in Rule 16-b(3) under the Exchange Act. The Compensation Committee held nine meetings in 2009, and overall committee attendance was 98%.

A copy of the Compensation Committee Charter is available on our website at www.toreador.net.

The purpose of the Compensation Committee is to assist the Board of Directors in discharging its responsibilities relating to executive compensation. Pursuant to its charter, the specific functions of the Compensation Committee include: (i) reviewing our compensation strategy; (ii) reviewing and making recommendations to the Board of Directors with respect to the base salary, incentive compensation and deferred compensation for the Chief Executive Officer; (iii) reviewing and making recommendations to the Board of Directors with respect to the base salary, incentive compensation and deferred compensation for other executive officers; (iv) administering incentive and equity-based plans in which the Chief Executive Officer and other executive officers may be participants; (v) reviewing and making recommendations to the Board of Directors regarding compensation paid to the directors; and (vi) preparing the Compensation Committee Report on executive compensation.

[Table of Contents](#)

With respect to director compensation, pursuant to its charter, the Compensation Committee annually reviews and makes recommendations to the Board of Directors regarding the compensation paid to the Company's directors. Such review shall include any annual retainer, any fees paid for attendance at meetings of the Board of Directors and any of its committees and grants of stock options or stock.

For a further discussion of the Compensation Committee's role in executive officer compensation, the role of executive officers in determining or recommending the amount or form of executive compensation and the Compensation Committee's use and engagement of independent third-party compensation consultants, please see the "Compensation Discussion and Analysis" section of this proxy statement, including sections "Compensation Philosophy and Objectives," "Determination of Compensation," and "Elements of Compensation." Pursuant to the Compensation Committee Charter, the Compensation Committee may delegate authority to a subcommittee consisting of at least two members of the Board of Directors but has not done so to date.

Compensation Committee Interlocks and Insider Participation

During all or part of 2009, the members of the Compensation Committee were Messrs. Kroloff, Balkany, de Combret, Vann, McLaughlin, Rostow, Falb and Dr. Hill. There were no transactions or relationships described under Item 407(e)(4) of Regulation S-K that involved any directors who served on the Compensation Committee during all or part of 2009.

Strategic Committee

The Strategic Committee was formed in October 2009 and is currently composed of Dr. Hill and Messrs. Balkany (Chairman), Kroloff and Williamson. The Strategic Committee held eight meetings in 2009. The Strategic Committee was formed after the completion of the Company's divestitures of its Hungarian and Turkish operations in order to review a full range of strategic alternatives and capital growth options available to the Company to enhance shareholder value. The Strategic Committee retained RBC Capital Markets as its financial advisor to assist it in considering and evaluating all of the available options, including, but not limited to, equity/debt offerings, a credit facility, substantial equity investments, and/or various corporate transactions and a review of possible partnerships in the Paris Basin Shale Oil.

In February 2010, under the guidance of the Strategic Committee, the Company completed an exchange of a portion of the outstanding principal amount of its 5.00% Convertible Senior Notes plus \$9.4 million cash for 8.00%/7.00% Convertible Senior Notes due 2025, plus accrued and unpaid interest on the notes being exchanged, effectively delaying an October 2010 put right for those bondholders. In addition, in February 2010, the Company issued 3,450,000 shares of its common stock, resulting in net proceeds to the Company of \$26.7 million, which provided the Company with the cash required to satisfy the remaining bondholders' put in October 2010, if exercised.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Compensation Philosophy and Objectives

In general, the objectives of the compensation program for our named executive officers are as follows:

- attract highly qualified executive officers who can execute our business strategy in a manner that enhances long-term shareholder value;
- motivate our executive officers to develop and execute our business strategy and to prioritize and accelerate the execution of key elements of the strategy; and
- retain our executive officers and align their interests with those of the shareholders of the Company through the use of equity-based compensation (specifically, restricted stock grants).

As described above, the composition of our Board of Directors and Compensation Committee experienced several fundamental changes during the 2009 fiscal year, including the appointment of Dr. Hill and Messrs. Balkany and McKenzie in January 2009 pursuant to the Settlement Agreement, as well as the addition of Messrs. Kroloff and Vann to the Board and the Compensation Committee in June 2009, following Toreador's 2009 annual meeting. Finally, in September 2009, Mr. de Combret was appointed to the Board and the Compensation Committee. Similarly, the entirety of our named executive officer group was replaced in 2009 with a new Chief Executive Officer and new Chief Financial Officer who joined the Company in order to lead its turnaround. As a result of these changes, during 2009 we took the opportunity to reevaluate our compensation philosophy and objectives, and established a compensation structure for our named executive officers that is transparent, directly linked to the execution of our strategy and aligned with our shareholders' interests.

Specifically, in June 2009, the Board presented the Company's strategy to the shareholders. Our strategy is clear and unchanged from that presentation. We set forth four steps to take the Company through its turnaround to what the Board, on behalf of the shareholders, believed the Company could achieve in pursuit of increased shareholder value. These steps were labeled to reflect each step as platform, unlocking value, steady growth and step change.

Having approved the strategy and having presented it to our shareholders, and given all of the changes that were required to achieve our 2009 turnaround of the Company, the Board designed our compensation program to reward the actions necessary to implement the Company's strategy (specifically, salary and short-term incentive) and the success of that strategy in growing long-term shareholder value (specifically, long-term incentive).

Determination of Compensation

Role of the Compensation Committee and the Board

The Compensation Committee assists the Board of Directors in overseeing compensation. In accordance with The Nasdaq Listing Rules, the Compensation Committee is responsible for recommending to the Board for approval certain types and levels of compensation for our executive officers and for determining itself other types and levels of compensation for our executive officers. See "Committees—Compensation Committee." Our named executive officers are not involved in making compensation-related decisions.

Use of Compensation Consultants and Benchmarking

The Compensation Committee has the authority to retain and terminate independent third-party compensation consultants, and has retained such consultants in the past for the purposes of, among

[Table of Contents](#)

other things, obtaining services such as market intelligence on compensation trends (including as regards our industry and principal market locations), views and recommendations with respect to our specific compensation programs, and analyses and recommendations with respect to the amount or form of executive compensation.

For purposes of setting 2009 compensation, we engaged Longnecker to conduct an independent compensation review and to provide analysis and recommendations for our compensation programs for our named executive officers. As part of its process, Longnecker assessed the competitiveness of our executive compensation as compared to executive compensation of comparable companies in the oil and natural gas industry by comparing our executive compensation to that of a peer group of 12 public companies in the oil and natural gas industry and provided conclusions and recommendations regarding our total direct compensation packages. The 12 companies were as follows:

Abraxas Petroleum	Harvest Natural Resources Inc.
Brigham Exploration Co.	NGAS Resources Inc.
Contango Oil & Gas Company	Parallel Petroleum Corp.
Crimson Exploration Inc.	TXCO Resources Inc.
FX Energy, Inc	Transmeridian Exploration Incorporated
Gastar Exploration Limited	Warren Resources, Inc.

In addition, the following published surveys were considered:

- ERI 2008/2009 Executive Compensation Assessor—Crude Oil Exploration and Production—\$50 million in revenue and \$34 million in revenue;
- Mercer 2008 US Executive Compensation Survey—Primary Industry Segment/Exploration & Production—\$50 million in revenue and \$34 million in revenue;
- Watson Wyatt 2008/2009 Top Management Comp Calculator for Utilities & Energy: \$50 million in revenue and \$34 million in revenue; and
- Watson Wyatt 2008/2009 Top Management Comp Calculator for All Organizations (Excluding Financial Services): \$50 million in revenue and \$34 million in revenue.

In line with our objective of attracting, motivating and retaining highly qualified executives, we targeted overall compensation at or near the 75th percentile as compared to our peer group.

Elements of Compensation

Our compensation program consists of three components: base salary, short-term incentive, and long-term equity incentive, each of which is described in more detail below. Each component is in alignment with the objectives stated in the discussion above in Compensation Philosophy and Objectives, and together, provide a mixture of compensation that is designed to ultimately promote long-term shareholder value. Our executive officers' compensation is weighted to the target of having 75% "at risk," or performance-linked compensation, rather than fixed compensation, such that target compensation levels can only be achieved if the strategic milestones of the Company are also being executed and have produced growth in long-term shareholder value. The elements of compensation are as follows:

- **Base Salary.** An executive officer's base salary at target comprises 25% of his total compensation package. We pay base salary in order to attract highly-qualified executives and to match competitors for executive talent, in light of salary norms in the industry and the general marketplace.
- **Short-Term Incentive Compensation.** A named executive officer's short-term incentive compensation at target comprises 25% of his total compensation package. This incentive is

intended to motivate and give priority to the execution of the Company's in-year strategic milestones that, in the short-term, may not be reflected in share price but which we believe will ultimately provide growth in long-term shareholder value. The Board may increase the target level of the short-term incentive award.

- Long-Term Equity Incentive Compensation. An executive officer's long-term incentive awards at target comprises 50% of his total compensation package. Vesting conditions imposed upon these equity awards serve to help retain our named executive officers. Moreover, equity compensation is granted in the form of restricted stock which aligns our executive officers with the economics available to our shareholders, in that executives like shareholders are exposed to downside risk as well as upside appreciation.

In addition to the above and consistent with the norms of the industry and the market in general, we also provide Mr. McKenzie with certain health and foreign service benefits, which are part of a competitive overall compensation package. Neither of our current named executive officers is entitled to perquisites.

We are also party to employment agreements with our named executive officers which provide for the payment of severance compensation upon certain terminations of employment. These terms are designed to ensure that the motivation to grow long-term shareholder value is paramount to other financial interests. They also contain restrictive covenants and prohibit the disclosure of our confidential information both during the term of employment and following termination. These agreements are valuable in aligning the interests of the executives with those of the shareholders, retaining our executives, and protecting our confidential information during and after employment.

Compensation Decisions in 2009

Employment Agreements

In 2009, we entered into employment agreements with both of our named executive officers. These agreements generally provide the formal structure for the payment of the compensation package available for both named executive officers. In addition, the agreements provide for the payment of severance following certain terminations of employment, and subject the executives to restrictive covenants both during and after the term of employment. The form of employment agreement applicable to each named executive officer is substantially the same, which we felt important as a means of aligning the interests and motivations of our small executive team.

Base Salary

In setting the base salaries for the named executive officers hired during the 2009 fiscal year, the Compensation Committee relied on, among other sources, information provided by Longnecker, our compensation consultant. In addition, in setting Mr. Sengès base salary, the Compensation Committee also considered general information provided by recruiters who were engaged during the Company's selection process for his role. Mr. McKenzie's and Mr. Sengès's base salaries during 2009 were in the 50th and 75th percentile, respectively, of base salaries paid to executives holding their positions at our peer companies, described above.

Short-Term Incentive Compensation

For the 2009 fiscal year, Mr. McKenzie and Mr. Sengès were eligible to receive short-term incentive compensation in the form of a cash bonus, with target bonus amount equal to 100% of base salary, in the case of Mr. McKenzie, and 75% of base salary, in the case of Mr. Sengès. The actual bonus amount payable was dependent upon the achievement of the following performance objectives

[Table of Contents](#)

(as determined by the Board of Directors), each of which related to the four elements of our strategy, with each objective accorded a different weight (shown in the parentheses):

- Objectives relating to the Company's base business or "platform" (10%)—These included reducing the level of general and administrative overhead costs of the business, rebuilding capability in the executive team and implementing a financial risk management program.
- Objectives relating to unlocking value (75%)—This included execution of the core transactions required to focus the portfolio and restore the balance sheet of the Company.
- Objectives relating to steady growth (10%)—This required the drilling of a new well.
- Objectives relating to "step change" (5%)—These included creating the program for the exploration of shale source rock.

In addition, in the event that the named executives were able to achieve elimination of Toreador's bondholder put, they were eligible to receive their maximum bonus amounts (150% of base salary for Mr. McKenzie, and 112.5% for Mr. Sengès).

The Board of Directors determined that the aforementioned performance objectives (including all of the conditions necessary to effect the elimination of the bondholder put) were achieved to the fullest extent and, as such, awarded Mr. McKenzie and Mr. Sengès their maximum bonuses for the 2009 fiscal year. Mr. Sengès's bonus was pro rated for the period during the 2009 fiscal year during which he was employed.

Long-Term Equity Incentive Compensation

In 2009, we made grants of restricted stock to both of our named executive officers pursuant to our 2005 Long-Term Incentive Plan (the "2005 LTIP"). These 2009 grants will vest in three equal installments on the first, second, and third anniversaries of the date of grant, in 2010, 2011 and 2012.

In addition, pursuant to their employment agreements, Messrs. McKenzie and Sengès are eligible for annual grants of restricted stock for each fiscal year during the term of their employment, the size of which will depend on the relative performance for the year of the Company's stock price against its competitors. Messrs. McKenzie and Sengès received grants during 2010 in respect of deemed 2009 performance and grants relating to performance and service in 2010 will be made no later than March 31, 2011.

In determining the size of the annual grants, the Compensation Committee will calculate the average closing price of the Company's common stock during the last 15 days of January, for both the performance year and the then-current year (each, a "January Average"). The Compensation Committee will also run these calculations for a group of the Company's competitors. Then, the Compensation Committee will calculate the year-to-year change in the January Averages for the Company and for the designated group of competitors and will rank the Company and its competitors in order of stock value appreciation from the performance year to the then-current year.

Messrs. McKenzie and Sengès will be entitled to an award of restricted stock depending on the Company's competitive performance, first ranking the Company's stock appreciation against its competitors to derive a competitive performance percentile which is then used (see the table below) to fix the multiple of base salary value to be awarded for performance in restricted share grants. Pursuant to his employment agreement, Mr. McKenzie's target LTI Award Multiple is 200% of base salary, and

[Table of Contents](#)

Mr. Sengès' is 150% of base salary. As set forth below in the "Grants of Plan-Based Awards Table," the restricted stock grants made to Messrs. McKenzie and Sengès were based on these target amounts.

<u>The Company's Rank</u>	<u>LTI Award Multiple</u>
Below 50 th percentile	0
50 th percentile	1X base salary
75 th percentile	2X base salary
100 th percentile	3X base salary

If the Company's rank is below the 50th percentile in competitive performance, there will not be any grants made under the long-term incentive program. Target performance is the 75th percentile in share value growth with progressive earning opportunities (calculated by linear interpolation) under the long-term incentive program all the way up to the best in competitor set performance.

Relocation Expenses

In connection with the relocation of our principal business operations to France, we reimbursed certain reasonable relocation expenses actually incurred by Mr. McKenzie.

Compensation Decisions in 2010

On March 12, 2010, the Compensation Committee voted to recommend to the Board and Board of Directors approved an amendment to the 2005 LTIP which, if approved by the Company's shareholders, will increase the number of shares of our common stock reserved for issuance under the 2005 LTIP. We believe that this amendment will allow us to continue to align the interests of our current executives and directors with those of our shareholders through our existing long-term incentive program. A more detailed description of the 2005 LTIP is contained below under "PROPOSAL THREE: AMENDMENT OF THE 2005 LONG-TERM INCENTIVE PLAN."

Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K. Based on such review and discussions the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

By the Compensation Committee:

Adam Kroloff, Chairman
Bernard de Combret
Peter J. Hill
Ian Vann

Summary Compensation Table

The following table sets forth information regarding the total compensation received by or earned by (i) the Company's Chief Executive Officer during 2009, (ii) the Company's Chief Financial Officer during 2009 and (iii) two former executive officers who served as executive officers during the year-ended December 31, 2009, but were not executive officers on December 31, 2009. This table and accompanying narrative should be read in conjunction with the Compensation Discussion and Analysis, which sets forth the objectives and other information regarding the Company's executive compensation program.

Name and Principal Position	Year	Salary (\$)	Stock Awards (\$)(1)	Option Awards (\$)(1)	Non-Equity Incentive Plan Compensation (\$)(2)	All Other Compensation (\$)	Total (\$)
Craig McKenzie President and Chief Executive Officer(3)	2009	396,307	3,224,722(4)	—	630,000	395,611(5)	4,646,640
Marc Sengès Chief Financial Officer (6)	2009	89,984(7)	615,000(4)	—	158,317	—	863,301
Nigel J. Lovett Former President and Chief Executive Officer (8)	2009	146,669	250,200	—	—	285,586(9)	682,455
	2008	360,000	788,000	1,133,940	—	61,696	2,343,636
	2007	338,680	—	—	42,210	27,989	408,879
Charles J. Campise Former Senior Vice President and Chief Financial officer(10)	2009	140,000	811,092	—	—	272,539(11)	1,223,631
	2008	210,000	135,140	—	—	17,404	362,544
	2007	188,881	73,897	—	30,000	17,404	310,182

- (1) These columns represent the aggregate grant date fair value of awards granted to our named executive officers in 2009, 2008 and 2007, as determined under FASB ASC Topic 718. For information on the valuation assumptions with respect to awards made, refer to note 11 in the Company's financial statements. The amounts above reflect the Company's aggregate accounting expense for these awards and do not correspond to the actual value that will be recognized by the named executive officers.
- (2) Amounts shown represent the non-equity incentive plan compensation earned in 2009, 2008 and 2007, as applicable. All non-equity incentive plan compensation payments earned during a given fiscal year were paid in the following fiscal year. For further information, see "Executive Compensation—Compensation Discussion and Analysis—Short-Term Incentive Compensation."
- (3) Mr. McKenzie became our interim President and Chief Executive Officer effective January 22, 2009 and was made permanent on March 27, 2009. Mr. Lovett became our President and Chief Executive Officer on January 25, 2007, and resigned on January 22, 2009 pursuant to the terms of the Settlement Agreement.
- (4) For information regarding the number of shares granted to Messrs. McKenzie and Sengès in 2009, pursuant to their employment agreements, please see the "Grants of Plan-Based Awards Table" below.
- (5) Consists of (i) \$292,000 in reimbursements of reasonable expenses incurred by Mr. McKenzie's in his relocation to Paris, including costs relating to the sale of his residence, temporary housing costs, resettlement and travel costs, (ii) \$30,886 in reimbursements for moving expenses paid by Mr. McKenzie in connection with his international relocation, and (iii) \$72,725 in foreign service reimbursements.
- (6) Mr. Sengès became our Chief Financial Officer effective September 15, 2009.
- (7) Mr. Sengès's base salary was converted from the Euro to United States dollars using the exchange rate as of the last day of the month for each month during 2009 that Mr. Sengès was employed.

Table of Contents

- (8) Mr. Lovett resigned as our President and Chief Executive Officer effective January 22, 2009 pursuant to the terms of the Settlement Agreement.
- (9) Consists of severance amounts payable to Mr. Lovett pursuant to his separation agreement, described below.
- (10) Mr. Campise's employment was terminated effective as of August 30, 2009.
- (11) Consists of (i) \$151,039 of severance amounts payable to Mr. Campise pursuant to his separation agreement, described below, and (ii) \$121,500 in consulting fees payable to Mr. Campise pursuant to his consulting agreement, described below.

Grants of Plan-Based Awards Table

The following table summarizes the 2009 grants of equity and non-equity plan-based awards.

Name	Grant	Estimated Possible Payouts under Non-Equity Incentive Plan Awards: Target(1)	Estimated Possible Payouts under Non-Equity Incentive Plan Awards: Maximum(1)	All Other Stock Awards: Number of Shares of Stock (#)	Grant Date Fair Value of Stock Awards (\$)
Craig McKenzie	9/22/2009	\$ 420,000	\$ 630,000	314,607(2)	3,224,722
Marc Sengès	9/16/2009	\$ 105,545	\$ 158,317	60,000(2)	615,000
Nigel J. Lovett	1/22/2009	—	—	90,000(3)	250,200
Charles J. Campise	8/31/2009	—	—	157,800(3)	811,092

- (1) Granted pursuant to Messrs. McKenzie's and Sengès's employment agreements, described below. There were only target and maximum levels, and no threshold levels. Mr. Sengès's target amount reflects that he was only entitled to a pro rata portion of his bonus for the 2009 fiscal year.
- (2) The 2009 grants of restricted stock made to Messrs. McKenzie and Sengès were determined pursuant to a formula set forth in each of their employment agreements. Mr. McKenzie was entitled to a grant of a number of shares equal to 200% of his base salary under the employment agreement (his target long-term incentive award amount), divided by the closing price of the Company's common stock on the effective date of his employment agreement (March 27, 2009 for Mr. McKenzie). The formula contained in Mr. Sengès's agreement is the same, except that a multiple of 150% of base salary was used.
- (3) Shares granted to Messrs. Lovett and Campise were fully vested as of the date of grant.

Narrative Disclosure Regarding Summary Compensation Table and Grants of Plan-Based Awards Table

Total compensation as represented in the Summary Compensation Table includes certain reimbursements made to Mr. McKenzie during 2009 as well as the grant date fair value of stock awards granted to Messrs. McKenzie and Sengès during 2009, as determined under FASB ASC Topic 718. Base salary paid represented 8.5% of Mr. McKenzie's total compensation as represented in the Summary Compensation Table, and 10.4% of Mr. Sengès's total compensation as represented in the Summary Compensation Table.

Employment Agreements

Mr. McKenzie

Mr. McKenzie was appointed as our interim President and Chief Executive Officer on January 22, 2009. In connection with his appointment, he entered into a letter agreement with the Company pursuant to which he was entitled to a monthly base salary of \$35,000 in exchange for his services,

although the letter agreement did not provide for the payment for any short-term or long-term incentives. Effective March 27, 2009, we entered into a formal employment agreement with Mr. McKenzie. The initial term of the agreement will expire on March 27, 2011 but will automatically be extended for additional one-year terms unless either the Company or Mr. McKenzie provides written notice of a desire not to renew the agreement at least 90 days prior to its expiration.

Under the agreement, Mr. McKenzie is eligible for the following: (i) a base salary of at least \$420,000 per year, (ii) an annual performance-based bonus with a target amount of 100% of base salary, (iii) participation in all health insurance and retirement programs maintained by the Company in which senior executives are entitled to participate, and (iv) reimbursement for reasonable business and travel expenses. The agreement also provides for the grant of an annual long-term incentive award payable in shares of the Company's common stock. For 2009, Mr. McKenzie's contract provided for an award of restricted shares equal in value of the effective date of his contract to two times his base salary. The shares were granted on September 22, 2009. For each fiscal year after 2009, the size of the long-term incentive award will depend on the Company's stock price performance relative to its competitors, as described above. Each long-term incentive award granted under the agreement will vest in three equal installments on the first, second, and third anniversaries of the effective date of Mr. McKenzie's contract.

If Mr. McKenzie's employment is terminated due to his death or disability, he will be entitled to the following: (i) accrued but unpaid base salary and expense reimbursements ("accrued obligations"), (ii) any earned but unpaid short-term incentive award, (iii) a pro rata portion of his short-term incentive award for the year in which termination occurs, and (iv) pro rata vesting of any unvested shares of common stock held by Mr. McKenzie. If Mr. McKenzie dies or becomes disabled while traveling on official Company business, in lieu of the foregoing benefits, he (or his estate) will be entitled to the severance benefits payable upon a termination without cause or resignation for good reason, discussed below.

In the event Mr. McKenzie is terminated by the Company without cause (as defined in the agreement) or as a result of the Company's decision not to renew the term of the agreement, or he resigns for good reason (as defined in the agreement), he will be entitled to the following: (i) accrued obligations, (ii) any earned but unpaid short-term incentive award, (iii) a pro rata portion of his target short-term incentive award (or, in the event of the Company's non-renewal, the short-term incentive award for the year in which termination occurs), (iv) immediate vesting of any unvested shares of common stock held by Mr. McKenzie, (v) continuation of base salary and target short-term incentive award payments (or, in the event of the Company's non-renewal, just base salary) for two years following termination, and (vi) continuation of health benefits for two years following termination. If Mr. McKenzie's termination without cause or resignation for good reason occurs within the year following a change of control of the Company (as defined in the agreement), Mr. McKenzie will be entitled to the same payments and benefits set forth in the preceding sentence, except that the base salary and short-term incentive award portion of his severance will be paid in a lump sum (as opposed to over a two-year period).

Mr. McKenzie's employment agreement contains a tax equalization provision which provides that in the event that the compensation received by Mr. McKenzie pursuant to the agreement becomes subject to taxation in France, Mr. McKenzie will be paid an additional amount so that Mr. McKenzie will be left in the same after-tax position as if his compensation had only been subject to any applicable U.S. federal, state and local taxes. The agreement also subjects Mr. McKenzie to standard prohibitions against disclosure of confidential information, as well as non-competition and non-solicitation covenants during the term of his employment and for one year thereafter.

Mr. Sengès

On September 15, 2009, the Company entered into an employment agreement with Mr. Sengès. The initial term of the agreement will expire on September 15, 2011 but will automatically be extended for additional one-year terms unless either the Company or Mr. Sengès provides written notice of a desire not to renew the agreement at least 90 days prior to its expiration.

Under the agreement, Mr. Sengès is eligible for the following: (i) a base salary of at least €204,500 per year, (ii) an annual performance-based bonus with a target amount of 75% of base salary, (iii) participation in all health insurance and retirement programs maintained by the Company in which senior executives are entitled to participate, and (iv) reimbursement for reasonable business and travel expenses. The agreement also provides for the grant of an annual long-term incentive award payable in shares of the Company's common stock. For 2009, Mr. Sengès's long-term incentive award was a grant of 60,000 shares of restricted stock. For each fiscal year after 2009, the size of the long-term incentive award will depend on the Company's stock price, as described above. Each long-term incentive award granted under the agreement will vest in three equal installments on the first, second, and third anniversaries of the date the award is granted.

If Mr. Sengès's employment is terminated due to his death or disability, he will be entitled to the following: (i) accrued obligations, (ii) any earned but unpaid short-term incentive award, (iii) a pro rata portion of his short-term incentive award for the year in which termination occurs (provided Mr. Sengès has worked for at least six months in the fiscal year to which the bonus relates), and (iv) pro rata vesting of any unvested shares of common stock held by Mr. Sengès. If Mr. Sengès dies or becomes disabled while traveling on official Company business, in lieu of the foregoing benefits, he (or his estate) will be entitled to the severance benefits payable upon a termination without cause or resignation for good reason, discussed below.

In the event Mr. Sengès is terminated by the Company without cause (as defined in the agreement) or he resigns for good reason (as defined in the agreement), he will be entitled to the same payments and benefits to which he is entitled upon termination due to death or disability, except that he will receive a pro rata portion of his short-term incentive award regardless of how long he has worked during the year in which termination occurs.

Finally, in the event Mr. Sengès's employment is terminated as a result of the term of his employment not being extended by him, he will be entitled to accrued obligations and any earned but unpaid short-term incentive award. If the Company elects not to renew the term of Mr. Sengès's employment, or if he is terminated without cause or for good reason within the year following a change of control of the Company (as defined in the agreement), he will be entitled to the same payments and benefits to which he is entitled upon termination due to death or disability, plus continuation of base salary for twenty-four months following termination (the base salary portion of the severance payment will be paid in a lump sum in the event that Mr. Sengès undergoes a qualifying termination of employment following a change of control).

The agreement subjects Mr. Sengès to standard prohibitions against disclosure of confidential information, as well as non-competition and non-solicitation covenants during the term of his employment and for one year thereafter.

Separation Agreements

Mr. Lovett

On January 22, 2009, Mr. Lovett resigned as our President and Chief Executive Officer and entered into a Separation and Mutual Release Agreement with us. In connection with his entering into the Separation and Mutual Release Agreement, we amended certain terms of his 2008 employment agreement such that, in connection with his resignation, we agreed to provide him with the

[Table of Contents](#)

following: (i) severance amounts totaling \$720,000, to be paid in 24 equal monthly installments; (ii) 90,000 "inducement shares," as defined in the employment agreement; (iii) immediate vesting of 6,800 shares of restricted stock; and (iv) continued director and officer insurance coverage for six years, subject to certain conditions. We and Mr. Lovett each released each other from any claims that either party had against the other.

Mr. Campise

Mr. Campise's employment was terminated effective August 30, 2009 in connection with the Company's relocation of its headquarters to Paris. In connection with this termination, Mr. Campise and the Company entered into a retention agreement on March 19, 2009 which provided that if Mr. Campise did not voluntarily terminate his employment and was not terminated for cause prior to his ultimate termination date, upon Mr. Campise's termination by the Company, subject to his execution of a release in favor of the Company, the Company would provide him with certain payments and benefits, including: (i) \$40,000 in cash in a lump sum payment; (ii) 129,000 shares of the Company's common stock; (iii) immediate vesting of 14,899 shares of restricted stock; (iv) continuation of the cost of health insurance benefits for 18 months under COBRA; and (v) the cash value of all accrued, unused paid time off. In addition, pursuant to the agreement, Mr. Campise was entitled to an additional \$81,112 in cash and/or stock (as determined by the Company in its sole discretion) subject to Mr. Campise's achievement of certain objectives prior to his termination date.

Following Mr. Campise's termination, the Company entered into a letter agreement with Mr. Campise pursuant to which he serves as a consultant to the Company and provides accounting and financial consulting services. The agreement, which could not be terminated prior to March 31, 2010 (except by the Company for "cause," as defined in the agreement), and which remains in effect thereafter unless terminated by either party upon 60 days' advance written notice, provides that Mr. Campise will receive a consulting fee of \$1,500 per day that services are provided to the Company. In addition, Mr. Campise is guaranteed to receive payment for at least ten days of work each month, payable on the first of each month, regardless of whether such days are actually worked.

Mr. Campise's consulting agreement is still in effect, although the fee structure has been amended so that Mr. Campise will receive \$15,000 in fees for services rendered through the end of the 2010 fiscal year.

Equity Awards

As discussed above, restricted stock granted to our named executive officers pursuant to the 2005 LTIP vests ratably over three years. In addition, any dividends that are paid on our common stock are also payable on the restricted stock, and our named executive officers have the right to vote all shares of restricted stock held by them.

Outstanding Equity Awards at Fiscal Year-End

The following table summarizes the total outstanding equity awards as of December 31, 2009 for each named executive officer. The market value of the stock awards was based on the closing price of our common stock as of December 31, 2009 (the last trading day of 2009 which was \$9.90). The unvested stock awards include those grants of equity awards made in 2009 which were outstanding and unvested on December 31, 2009 and which are also included in the Grants of Plan-Based Awards Table.

<u>Name</u>	<u>Number Of Shares of Stock That Have Not Vested (#)(1)</u>	<u>Market Value of Number of Shares of Stock That Have Not Vested \$(1)</u>
Craig McKenzie	209,738	2,076,406
Marc Sengès	60,000	594,000

(1) One-third of these stock awards will vest on each of the first three anniversaries of the date of grant.

Option Exercises and Stock Vested in 2009

The following table summarizes for the named executive officers in 2009 (i) the number of shares acquired upon exercise of stock options and the value realized and (ii) the number of shares acquired upon the vesting of restricted stock and the value realized, each before payout of any applicable withholding tax. Messrs. McKenzie and Sengès were not awarded and did not have any stock options or have any shares of restricted stock vest during 2009.

<u>Name</u>	<u>Number of Shares Acquired on Vesting (#)</u>	<u>Value Realized on Vesting (\$)</u>
Nigel Lovett	90,000	250,200
Charles Campise	157,800	811,092

Potential Payments Upon Termination or Change in Control

As described above, we are party to employment agreements with our current named executive officers which provide for payments and benefits upon certain qualifying terminations of employment. Set forth below are that amounts that Messrs. McKenzie and Sengès would have received if the

[Table of Contents](#)

specified events had occurred on December 31, 2009. The closing stock price on December 31, 2009 was \$9.90 per share.

Craig McKenzie Executive Benefits and Payment Upon Termination	Termination Without Cause / With Good Reason/CIC Termination	Company Non- Renewal of Agreement	Disability	Death
Compensation:				
Base Salary	\$ 840,000	\$ 840,000	\$ 840,000(1)	\$ 840,000(1)
Short-Term Incentive Award	\$ 840,000	\$ 630,000	\$ 630,000	\$ 630,000
Accelerated Vesting of Restricted Stock	\$ 3,114,609	\$ 3,114,609	\$ 1,038,203	\$ 1,038,203
Continuation of health Benefits	\$ 36,608	\$ 36,608	\$ 36,608(1)	\$ 36,608(1)
Total	\$ 4,831,217	\$ 4,621,217	\$ 2,544,811	\$ 2,544,811

- (1) These amounts would only have been payable if Mr. McKenzie had died or become disabled while traveling on Company business.

Marc Sengès Executive Benefits and Payments Upon Termination	Termination Without Cause/ With Good Reason	Company Non- Renewal of Agreement/CIC Termination(1)	Disability	Death
Compensation:				
Base Salary	—	\$ 589,205	—	—
Short-Term Incentive Award	\$ 158,317	—	\$ 158,317(2)	\$ 158,317(2)
Accelerated Vesting of Restricted Stock	\$ 594,000	\$ 594,000	\$ 57,747	\$ 57,747
Total	\$ 752,317	\$ 1,183,205	\$ 216,064	\$ 216,064

- (1) These amounts will only be payable if the Company elects not to renew the term of Mr. Sengès's employment agreement or if he is terminated without cause or resigns for good reason during the year following a change in control.
- (2) These amounts would only have been payable if Mr. Sengès had died or become disabled while traveling on Company business.

Director Compensation

The following table summarizes the compensation paid by the Company to non-employee directors for the fiscal year ended December 31, 2009.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards \$(1)	Total (\$)
Herbert C. Williamson III	71,363	222,499	293,862
Dr. Peter J. Hill	87,638	362,652	450,290
Julien Balkany	62,375	249,130	311,505
Adam Kroloff	40,000	222,499	262,499
Ian Vann	40,000	222,499	262,499
Bernard de Combret	30,000	—	30,000
Nicholas Gay(2)	20,000	63,750	83,750
Alan Bell(3)	50,929	51,600	102,529
Peter Falb(3)	38,571	—	38,571
Nicholas Rostow (3)	37,863	—	37,863
John Mark McLaughlin(4)	11,500	—	11,500

- (1) This column represents the aggregate grant date fair value of awards granted to our directors in 2009, determined under FASB ASC Topic 718. For information on the valuation assumptions with respect to awards made, refer to note 11 in the Company's financial statements.
- (2) Mr. Gay resigned from the Board effective August 17, 2009.
- (3) Messrs. Bell, Falb, and Rostow did not stand for reelection at Tereador's 2009 shareholder meeting and their service on the Board ended effective June 4, 2009.
- (4) Mr. McLaughlin resigned from the Board effective January 22, 2009.

We aim to provide a competitive level of compensation to our directors, as compared to our competitors.

Beginning in June 2009, with respect to our directors who were elected at our 2009 annual meeting or appointed thereafter (Dr. Hill, and Messrs. Williamson, Balkany, Kroloff, Vann, Gay, and de Combret), we pay an annual stipend of \$40,000 as the cash component of annual director compensation to each non-employee director, except for the Chairman of the Board of Directors, who receives \$60,000 annually. Half of these fees are paid in June of each fiscal year and relate to the director's first six months of service on the Board. The remaining half of these fees are paid in December of each fiscal year and relate to the director's service for the first six months of the following fiscal year.

In 2009, the Chairman of the Board of Directors received a grant of 37,500 shares of our common stock as a one-time inducement to service, as well as \$150,000 in value of fully vested shares of our common stock as the equity component of his annual (2009-2010) board compensation (based on the closing price of our stock on the date of his election or appointment to the Board, June 4, 2009).

Our non-employee directors each received a grant of 25,000 shares of our common stock as a one-time inducement to service, as well as \$100,000 in value of fully-vested shares of our common stock as the equity component of their annual (2009-2010) board compensation (based on the closing price of our stock on the date of their election or, in the case of Mr. de Combret, on the date of his appointment in September 2009).

No additional compensation is paid to directors who serve on committees, nor are perquisites provided to any of our directors.

[Table of Contents](#)

From January 1, 2009 through June 2009, our directors at the time (Dr. Hill, and Messrs. Williamson, Balkany, Bell, Falb, Rostow and McLaughlin) were paid according to a different compensation program. Each non-employee director was entitled to annual fees totaling \$20,000, which was paid quarterly. In addition, each non-employee director was entitled to \$2,000 for each regularly scheduled Board meeting he attended, and \$1,500 for each telephonic Board meeting in which he participated. Each committee member was paid \$1,500 for each committee meeting he attended, unless the committee meeting was held in conjunction with a meeting of the Board, in which case he was paid \$500.

Stock Ownership Policy

The Company does not have a stock ownership policy for its employees who are not also directors and does not have a policy that prohibits employees from hedging their economic exposure as a result of owning shares of Company stock. In line with the terms of the Settlement Agreement, on April 16, 2010, the Company adopted a formal, written policy requiring the Company's directors to beneficially own at least 50,000 shares (the "Stock Ownership Threshold") of the Company's common stock within six months from the date he or she is first appointed or elected to the Board. The policy provides that any director found not to be in compliance with the policy at the time of the publication of our proxy statement for annual meetings subsequent to this Annual Meeting shall not be qualified by the Board of Directors to stand for election as a director at the annual shareholder meeting and shall have any equity compensation restricted until such time as the required ownership threshold is met, upon which event any equity grant shall be released.

As set forth on the table under "Security Ownership of Certain Beneficial Owners and Management," as of the date of this proxy statement, four of the Company's current directors nominated for re-election at the Annual Meeting beneficially own shares of common stock equal to or in excess of the Stock Ownership Threshold, and Messrs. Kroloff, Vann and de Combret beneficially owned shares of common stock below the Stock Ownership Threshold. The Board of Directors has reviewed the circumstances of the stock ownership of, and restrictions applicable to the acquisition of Company securities by, directors and has determined that an extension of the time period for compliance under the policy should be granted until December 31, 2010.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth information as of December 31, 2009 with respect to compensation plans under which shares of our common stock may be issued.

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>Weighted-average exercise price of outstanding options, warrants and rights</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column(1))</u>
Equity compensation plans approved by security holders	67,370	\$ 7.78	126,384
Equity compensation plans not approved by security holders			
Total	67,370	\$ 7.78	126,384

- (1) Pursuant to the Agreement and Plan of Merger dated as of October 3, 2001 relating to the acquisition of Madison Oil Company, certain warrants of Madison Oil Company became warrants to acquire Treador common stock. As of December 31, 2008, there were warrants outstanding

exercisable for 98,760 shares of Toreador common stock with a weighted-average exercise price of \$19.82.

- (2) Of the 1,093,525 shares available for future issuance, 106,176 shares are available under the 2005 LTIP which permits the granting of stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards, dividend equivalent rights and other awards, and 20,208 are available under the Company's stock option plans.

EXECUTIVE OFFICERS

The current executive officers of Toreador are Craig M. McKenzie, President and Chief Executive Officer, and Marc Sengès, Chief Financial Officer.

For the business background of Mr. McKenzie, who is a director of Toreador, see "Nominees for Directors" above.

Mr. Sengès, 43, has been serving as our Chief Financial Officer since September 15, 2009. Prior to that he served as the Corporate Secretary and General Counsel of Progisys International, a private oil and gas services company with operations in Europe, Africa and Asia, from December 2006. Mr. Sengès has also been a member of the Board of Progisys and the company's representative in Switzerland. Prior to joining Progisys, Mr. Sengès served as the Chief Financial Officer and General Counsel of Pebercan Inc. (ticker: PBC CN), a Canadian oil and gas exploration and production company, from November 2005 to November 2006. Prior to joining Pebercan Inc., Mr. Sengès served as Chief Financial Officer and a member of the Executive Committee of Maurel et Prom (ticker: MAU FP), the second largest publicly traded French oil and gas exploration and production company, from February 2005 to October 2005. Before joining Maurel et Prom, from February 2002 to January 2005, Mr. Sengès was an Executive Director at Natexis Banque Populaire, where he was Global Head of the Oil and Gas Structured Finance Department for Africa and the Middle East. Prior to joining Natexis Banque Populaire, Mr. Sengès held various executive positions with several banks including HSBC Investment Bank, Crédit Lyonnais and Société Générale. Mr. Sengès studied Business Law and Finance & Banking at Paris University.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth as of April 7, 2010, the beneficial ownership of Toreador common stock by (i) each named executive officer, director and each nominee for director of Toreador, (ii) each person who was known to Toreador to be the beneficial owner of more than 5% of the outstanding shares of Toreador common stock and (iii) directors and executive officers of Toreador as a group (eight persons). Except as otherwise indicated, the address for each beneficial owner is 13760 Noel Road #1100, Dallas, Texas 75240. The applicable percentage ownership is based on 24,941,155 shares of Toreador common stock issued and outstanding as of April 7, 2010, and includes, on an individual basis, the number of shares of Toreador common stock that could be acquired by options or warrants exercisable within 60 days of April 7, 2010. All information is based upon ownership of record as reflected on the stock transfer books of the Company or as reported on Schedule 13G or Schedule 13D

[Table of Contents](#)

filed under Rule 13d-1 under the Exchange Act or has been furnished by the respective officers or directors of the Company.

	Toreador Common Stock Beneficially Owned	
	Number of Shares	Percent of Class
Herbert C. Williamson III	50,000	*
Dr. Peter J. Hill	58,651	*
Julien Balkany	882,300(1)	3.54%(1)
Adam Kroloff	45,408	*
Ian Vann	45,408	*
Bernard de Combret	35,067	*
Craig McKenzie	314,607(2)	1.26%(2)
Marc Sengès	60,000(3)	*(3)
All directors and executive officers as a group (8 persons)	1,491,441	5.98%
Beneficial owners of 5% or more:		
David M. Brewer and Joseph E. Griesedieck, III c/o The Madison Group 590 Madison Avenue, 21st Floor New York, NY 10022	1,373,761(4)	5.51%(4)
BlackRock, Inc. 40 East 52nd Street New York, NY 10022	1,335,849(5)	5.36%(5)
Palo Alto Investors, LLC 470 University Avenue Palo Alto, CA 94301	1,906,800(6)	7.65%(6)
Zazove Associates, LLC 4801 West Petetson Suite 615 Chicago, IL 60646	3,101,077(7)	12.43%(7)

* Less than one percent

- (1) Nanes Balkany Partners I LP is the direct owner of 828,103 shares, and Mr. Balkany is the direct owner of 54,197 shares. Nanes Balkany Partners LLC is the general partner of Nanes Balkany Partners I LP and may be deemed to beneficially own the shares owned by Nanes Balkany Partners I LP. Nanes Balkany Management LLC is the investment manager of Nanes Balkany Partners I LP and may be deemed to beneficially own the shares owned by Nanes Balkany Partners I LP. Messrs. Balkany and Nanes are managing members of Nanes Balkany Partners LLC and Nanes Balkany Management LLC and may be deemed to beneficially own the shares owned by Nanes Balkany Partners I LP. Messrs. Balkany and Nanes have sole voting and dispositive authority over the shares owned by Nanes Balkany Partners I LP. Mr. Balkany has sole voting and dispositive authority over the shares owned by him. Nanes Balkany Partners LLC, Nanes Balkany Management LLC and Messrs. Balkany and Nanes disclaim beneficial ownership of the shares held by Nanes Balkany Partners I LP, except to the extent of their pecuniary interest therein. Nanes

[Table of Contents](#)

Balkany Partners LLC, Nanes Balkany Management LLC, Nanes Balkany Partners I LP and Mr. Nanes disclaim beneficial ownership of the shares held by Mr. Balkany.

- (2) Includes 209,738 restricted shares of common stock that have not yet vested.
- (3) Includes 60,000 restricted shares of common stock that have not yet vested.
- (4) Beneficial ownership includes (i) 1,266,261 shares of Toreador common stock held directly by Mr. David Brewer, (ii) 35,000 shares held directly by JD Associates, an investment joint venture formed by Messrs. David Brewer and Joseph E. Griesedieck, III, and (iii) 72,500 shares which are beneficially owned through the Herbert L. and Paulyne Brewer 1992 Trust. Mr. David Brewer may be deemed to have sole voting and dispositive power over 1,266,261 shares of Toreador common stock and shared voting and dispositive power over 107,500 shares of Toreador common stock. Messrs. David Brewer and Griesedieck have expressly disclaimed beneficial ownership of any shares owned directly or indirectly by the other, except for the 35,000 shares held by JD Associates. Mr. David Brewer also disclaims beneficial ownership of shares of Toreador common stock owned directly or indirectly by Mr. Herbert Brewer other than the shares of Toreador common stock held by the Herbert L. and Paulyne Brewer 1992 Trust.
- (5) BlackRock exercises sole voting and dispositive power with respect to 1,335,849 shares of common stock beneficially owned by it and its subsidiaries, BlackRock Institutional Trust Company, N.A., BlackRock Fund Advisors, BlackRock Capital Management, Inc., BlackRock Investment Management, LLC and State Street Research & Management Co. Various people have the right to receive or the power to direct receipt of dividends from, or the proceeds from the sale of, the common stock. No one person's interest in the common stock of is more than five percent of the total outstanding common shares.
- (6) Palo Alto Investors, LLC's ("PAI LLC") is a registered investment adviser and as the general partner of, and investment adviser to, investment limited partnerships and the investment adviser to investment funds. The sole manager of PAI LLC is Palo Alto Investors ("PAI Corp"). William Leland Edwards is the president and controlling shareholder of PAI Corp and the controlling owner of PAI LLC. Anthony Joonkyo Yun is the president of PAI LLC. PAI LLC is an investment adviser with the power to invest in, vote and dispose of the common stock on behalf of its clients. Its clients have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the common stock. No client individually holds more than five percent of the outstanding common stock. Each of PAI LLC, PAI Corp, Mr. Edwards and Dr. Yun disclaim beneficial ownership of the common stock except to the extent of their respective pecuniary interest therein.
- (7) Shares of common stock reported as beneficially owned include 3,101,077 shares of common stock issuable upon conversion of certain convertible debt securities. Zazove Associates LLC ("Zazove") is a registered investment advisor. Zazove has discretionary authority with regard to certain accounts that hold the convertible securities. No single account has a more than five percent interest in any class of the Company's securities.

Except as otherwise indicated above, all shares shown in the above table are owned directly, and the holder thereof has sole voting and investment power with respect to such shares.

PROPOSAL TWO:

AMENDMENT TO RESTATED CERTIFICATE OF INCORPORATION

General

On April 9, 2010, the Board of Directors unanimously adopted a resolution declaring it advisable and in the best interest of the Company to amend our Restated Certificate of Incorporation to increase the number of shares of common stock, par value\$ 0.15625 per share, that we would be authorized to issue from 30 million shares to 50 million shares, subject to approval by the stockholders. Of the 30,000,000 shares of common stock presently authorized for issuance, as of April 7, 2010, 24,941,155 shares were issued and outstanding and 3,857,579 shares reserved for issuance upon conversion of our outstanding convertible debt securities.

Our Restated Certificate of Incorporation authorizes us to issue 4,000,000 shares of preferred stock, and this amendment would not increase the number of authorized preferred shares. As of April 7, 2010, there were no shares of preferred stock outstanding.

Reasons for and Effects of the Proposal

Our Board of Directors believes that it is in the best interests of the Company and our stockholders to have the flexibility to issue additional shares of common stock, or securities convertible into common stock, in responding to future business and financing needs. The availability of additional shares will enhance our flexibility in connection with possible future actions, such as financings, corporate mergers or acquisitions, stock dividends, stock splits and other corporate purposes.

We continually evaluate our short- and long-term financing options and, depending on market conditions and other factors, may engage from time to time in one or more transactions involving the issuance of additional common stock or securities convertible into common stock. In addition, as part of the "step change" component of our corporate strategy, we intend to review and pursue mergers and acquisitions. Our Board of Directors will decide whether, when and on what terms the issuance of shares of common stock or other securities convertible into, or exercisable for, common stock may be appropriate in connection with any of the foregoing purposes and, with the increased flexibility of additional authorized shares of common stock, may do so without the delay of a special meeting of stockholders at that time.

The issuance of additional shares of authorized common stock would be within the discretion of the Board of Directors, without the requirement of further action by stockholders unless required by applicable law, regulation, listing requirements or our Restated Certificate of Incorporation.

The additional authorized shares of common stock, if and when issued, would be part of the existing class of common stock and would have the same rights and privileges as the shares of common stock presently outstanding, including the right to cast one vote per share and to participate in dividends, when and to the extent declared and paid. Holders of our common stock have no preemptive rights; therefore, should the Board of Directors elect to issue additional shares of our common stock, existing stockholders would not have any preferential rights to purchase the shares.

The issuance of additional shares of common stock may, among other things, have a dilutive effect on earnings per share and on stockholders' equity and voting rights. The issuance of additional shares, or the perception that additional shares may be issued, may also adversely affect the market price of our common stock.

While not intended as an anti-takeover provision, the availability for issuance of additional shares of common stock would also have the effect of rendering more difficult or discouraging an attempt to obtain control of the Company. For example, the issuance of shares of common stock (within the limits imposed by applicable law and the rules of any exchange upon which the common stock may then be

[Table of Contents](#)

listed) in a public or private sale, merger or similar transaction would increase the number of outstanding shares, thereby possibly diluting the interest of a party attempting to obtain control of the Company. The issuance of additional shares of common stock could also be used to render more difficult an undesirable merger or similar transaction even if it appears to be desirable to a majority of existing stockholders. We are not aware of any efforts to obtain control of the Company.

In sum, our Board of Directors believes that the increase in authorized shares will enhance our flexibility to satisfy our short- and long-term financing and capitalization needs as well as to pursue mergers and acquisitions. Our Board of Directors may approve the issuance of additional shares of common stock only if the action is permissible under the Delaware General Corporation Law and the Nasdaq Listing Rules.

Amendment to Restated Certificate of Incorporation

If this proposal is approved and the amendment becomes effective, Section 1 of Article FOURTH of our Restated Certificate of Incorporation will be amended to read in its entirety as follows:

The total number of shares of all classes of stock which the Corporation shall have authority to issue is 54,000,000 shares, consisting of (1) 4,000,000 shares of Preferred Stock, par value \$1.00 per share ("Preferred Stock"), and (2) 50,000,000 shares of Common Stock, par value \$0.15625 per share ("Common Stock").

Vote Required

The proposal requires the affirmative vote of the holders of a majority of the shares of common stock outstanding on the record date. Abstentions and broker non-votes will effectively count as a vote against the proposal.

Effectiveness of Amendment

If the proposed amendment is adopted, it will become effective upon the filing of a certificate of amendment to our Restated Certificate of Incorporation with the Secretary of State of the State of Delaware.

The Board recommends a vote FOR the approval of an amendment to our Restated Certificate of Incorporation to increase the number of authorized shares of common stock from 30 million shares to 50 million shares.

PROPOSAL THREE:

AMENDMENT OF THE 2005 LONG-TERM INCENTIVE PLAN

On March 12, 2010, the Board of Directors (the "Board"), upon recommendation of the Compensation Committee (the "Committee"), adopted the fourth amendment (the "Amendment") to the Toreador Resources Corporation 2005 Long-Term Incentive Plan, as currently amended (the "Plan"), subject to approval by Toreador's stockholders. The purpose of the Amendment is to increase the number of shares Toreador's common stock ("Stock") reserved for issuance under the Plan from 1,750,000 shares to 3,250,000 shares.

The following description of the Plan is qualified in its entirety by reference to the actual text of the Plan, which is attached to this proxy statement as Appendix A, and actual text of the proposed Amendment, which is attached to this proxy statement as Appendix B.

Purpose

The purpose of the Plan is to attract and retain the services of key employees, key consultants and directors of the Company and its subsidiaries, and to provide such individuals with a proprietary interest in the Company through the grant of stock options, restricted stock, stock appreciation rights, restricted stock units, performance awards and other stock-based awards (collectively, "Awards") that will:

- increase the interest of such individuals in the Company's welfare;
- furnish an incentive to such individuals to continue their services for the Company; and
- provide a means through which the Company may attract able individuals as employees, consultants and directors.

Administration

The Plan is administered by the Committee. The Committee is composed of non-employee members of the Board, each of whom is a "non-employee director" under Rule 16b-3 of the Exchange Act and an "outside director" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"). The Committee has the authority to, among other things, designate Plan participants, grant Awards, determine the number of shares of Stock to be covered by Awards and determine the terms and conditions of any Awards, and construe and interpret the Plan and related Award agreements. The Committee may also delegate its authority under the Plan to Treador's officers.

Shares Subject to the Plan

The maximum number of shares of Stock that may be delivered pursuant to Awards under the Plan is 1,750,000 shares, subject to adjustment as described below under "Changes in Capital Structure." Pursuant to the Amendment, we have proposed increasing this maximum to 3,250,000. The maximum number of shares of Stock that may be delivered pursuant to incentive stock options is 1,750,000, and, in a given calendar year, executive officers of the Company or its Subsidiaries may not be granted Awards covering more than a total of 300,000 shares of Stock. If any Award under the Plan expires or is forfeited or canceled, the number of shares of Stock underlying the Award will again be available for grants of Awards under the Plan. Further, if previously acquired shares of Stock are delivered to the Company in full or partial payment of the exercise price of a stock option granted under the Plan, the number of shares of Stock available for the grant of future Awards under the Plan will be reduced only by the net number of shares issued upon the exercise of the stock option.

Eligibility

Employees, consultants, and outside directors of the Company and its subsidiaries will be eligible to participate in the Plan. The Company has approximately 35 employees, two consultants and six outside directors.

Grants of Awards

The Committee may grant awards of non-qualified stock options, incentive stock options, restricted stock awards, performance awards, stock appreciation rights, restricted stock unit awards, and other stock-based awards.

Stock Options. The Plan provides for the grant of both incentive stock options, within the meaning of Section 422(b) of the Code, and non-qualified stock options. A stock option granted under the Plan provides a participant with the right to purchase, within a specified period of time, a stated

[Table of Contents](#)

number of shares of Stock at the price specified in the applicable Award agreement. The exercise price applicable to a stock option will be set by the Committee at the time of grant, and will not be less than the fair market value of a share of Stock on the date of grant. Stock options will vest in accordance with the terms of the applicable Award agreement. The maximum term of an incentive stock option granted under the Plan is 10 years from the date of grant (or five years in the case of an incentive stock option granted to a 10% stockholder). Payment of the exercise price of an option may be made in cash, Stock, pursuant to a delivery of a notice of "net exercise," or in any other form of consideration approved by the Committee. The Plan provides that the period of time during which participants may exercise their vested stock options will be reduced following the termination of a participant's employment or service.

Restricted Stock. An award of restricted stock is a grant of shares of Stock which are subject to limitations on transfer during a restricted period established in the applicable Award agreement. Generally speaking, holders of restricted stock will have the rights and privileges of a stockholder with respect to their restricted stock. In the event a participant is terminated for any reason, the participant will forfeit all unvested shares of restricted stock held by such participant.

Stock Appreciation Rights. A stock appreciation right represents the right to receive an amount equal to the appreciation of the Company's stock over a designated period. It is similar to a stock option in that when a stock appreciation right is "settled" (i.e., paid out), the holder receives the difference between the value of the Company's stock on the payment date and the value on the date the right was granted (the "base price"). Under the Plan, the base price applicable to stock appreciation rights will be set by the Committee at the time of grant, and will not be less than the fair market value of a share of Stock on the date of grant. Stock appreciation rights can be settled in cash or in Stock, and will be subject to such other terms and conditions as the Committee sets forth in the applicable Award agreement.

Restricted Stock Units. Restricted stock units represent a promise to deliver Stock at a future date; generally, once they have vested. Restricted stock units granted under the Plan will be subject to such terms and conditions as the Committee sets forth in the applicable Award agreement at the time of grant.

Performance Awards. Performance Awards represent the right to receive certain amounts based on the achievement of pre-determined performance goals during a designated performance period. The terms of each performance Award will be set forth in the applicable Award agreement. The Committee will be responsible for setting the applicable performance goals, which may consist of one or more of the following: cash flow; cost; revenues; sales; ratio of debt to debt plus equity; net borrowing, credit quality or debt ratings; profit before tax; economic profit; earnings before interest and taxes; earnings before interest, taxes, depreciation and amortization; gross margin; earnings per share (whether on a pre-tax, after-tax, operational or other basis); operating earnings; capital expenditures; expenses or expense levels; economic value added; ratio of operating earnings to capital spending or any other operating ratios; free cash flow; net profit; net sales; net asset value per share; the accomplishment of mergers, acquisitions, dispositions, public offerings or similar extraordinary business transactions; sales growth; price of Treador's common stock; return on assets, equity or stockholders' equity; market share; inventory levels, inventory turn or shrinkage; or total return to stockholders. Performance Awards which have been earned as a result of the relevant performance goals being achieved may be paid in the form of cash, Stock or other consideration (or some combination thereof).

Other Stock-Based Awards. The Plan authorizes the Committee to grant other Awards that may be denominated in, payable in, valued in, or otherwise related to shares of Stock. Such awards and the terms applicable to such Awards will be set forth in Award agreements.

Changes in Capital Structure

In the event of any change in the outstanding Stock or the capital structure of the Company, the declaration of an extraordinary dividend, or other similar corporate transaction or event that affects the fair value of an Award, the Committee will adjust any or all of the following so that the fair value of an Award immediately after the transaction is equal to the fair value of the Award immediately prior to the transaction: (i) the number of shares of Stock that may be granted pursuant to Awards, (ii) the number and type of common stock (or other securities or property) issuable pursuant to outstanding Awards, (iii) the number of shares and type of Stock specified in the Plan as an annual per-participant limit, and (iv) the per-share price of outstanding Awards under the Plan.

Corporate Events

In the event of a merger, consolidation or share exchange involving the Company where the Company is the surviving entity, each outstanding Award will be converted to apply to the securities or rights (including cash, property, or assets) to which the Company's common stockholders become entitled in connection with the transaction. In the event of any merger, consolidation or share exchange involving the Company where the Company does not survive, each outstanding Award will be substituted for an award relating to the stock, securities or other property of the surviving company to which the Company's common stockholders become entitled in connection with the transaction.

Notwithstanding the foregoing, in the event of a "change in control" of the Company (as defined in the Plan), all Awards outstanding under the Plan may be canceled by Toreador in its sole discretion, as of the effective date of the Change in Control and in accordance with the terms and provisions of the Plan providing for notice or payments. In addition, if Toreador sells all or substantially all of its property, or dissolves or liquidates, then each participant under the Plan will be entitled to receive, in lieu of each share of Stock which such participant would have been entitled to receive pursuant to the Award, the same kind and amount of any securities or assets as may be issued upon the sale or dissolution received by the Company's stockholders in connection with such event.

Non-Transferability of Awards

Generally speaking, an Award granted under the Plan may not be transferred by the holder of the Award.

Termination and Amendment

The Board may amend or terminate the Plan at any time, except that no amendment may, without stockholder approval, violate the stockholder approval requirements of the national securities exchange on which the Stock is principally listed. Unless sooner terminated, the Plan will expire on May 19, 2015.

Federal Income Tax Consequences

The following is a summary of the federal income tax consequences of the issuance and exercise of stock options granted pursuant to the Plan. The summary is based on current United States income and employment tax rules that apply generally to citizens and residents of the United States for tax purposes. In addition, it does not address any applicable tax consequences under state or local tax law.

Plan participants will not recognize taxable income upon the grant of a non-qualified stock option. Upon the exercise of a non-qualified stock option, Plan participants will recognize taxable income, and their employers will generally be entitled to deduct such amount for federal income tax purposes if the amount represents an ordinary and necessary business expense. This taxable income is taxed as ordinary compensation income and is based upon the excess of the fair market value of the Stock at exercise over the exercise price.

[Table of Contents](#)

At the time a Plan participant is required to recognize ordinary compensation income resulting from the exercise of a non-qualified stock option, such income will be subject to federal (including, except as described in the following sentence, Social Security and Medicare) and applicable state and local income tax and applicable tax withholding requirements. If a participant's year-to-date compensation on the date of exercise exceeds the Social Security wage base limit for such year (\$106,800 in 2010), the participant will not have to pay Social Security taxes on such amounts. The Company is required to report to the appropriate taxing authorities the ordinary income received by Plan participants, together with the amount of taxes withheld to the Internal Revenue Service and the appropriate state and local taxing authorities.

Plan participants will not recognize taxable income upon the grant or exercise of an incentive stock option. Subject to certain exceptions for disability or death, if an incentive stock option is exercised more than three months following a termination of employment, the tax effects to the participant and his or her employer in connection with such exercise will generally be the same as those applicable to the exercise of a non-qualified stock option. For purposes of determining whether a participant is subject to any alternative minimum tax liability, upon exercising an incentive stock option, the participant will generally be required to increase his or her alternative minimum taxable income, and compute the tax basis in the stock so acquired, in the same manner as if the participant had exercised a non-qualified stock option. In general, there are no federal income tax consequences to the Company or its subsidiaries upon the grant, exercise or termination of an incentive stock option.

New Plan Benefits

Because Awards to be granted in the future under the Plan are at the discretion of the Committee, it is not possible to determine the benefits or the amounts received or that will be received under the Plan by eligible participants.

The Board recommends a vote FOR the approval of the amendment to the 2005 Long-Term Incentive Plan

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Grant Thornton has been Toreador's independent registered public accounting firm since June 6, 2006. Representatives of Grant Thornton are not expected to be present at the Annual Meeting. No independent registered public accounting firm has been selected for ratification or approval for the year ending December 31, 2010 as management and the Audit Committees continue their evaluation and selection process.

Fees Billed by Grant Thornton During Fiscal Years 2009 and 2008

The following table sets forth the aggregate fees billed by Grant Thornton during 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Audit Fees(1)	\$ 611,375	\$ 839,029
Audit-Related Fees	—	—
Tax Fees	—	—
All Other Fees	—	—
	<u>\$ 611,375</u>	<u>\$ 839,029</u>

- (1) Represents fees billed for the audit of Toreador's annual financial statements included in Form 10-K, audit of internal control pursuant to Sarbanes-Oxley Section 404, review of quarterly financial statements included in Forms 10-Q, review of filings on Form S-3 and Form S-8, and comfort letter issuances.

Pre-Approval Policies

As required by the Sarbanes-Oxley Act of 2002, all audit and non-audit services performed by independent registered public accounting firms must be pre-approved by Toredor's Audit Committee unless the pre-approval provision is waived in accordance with applicable securities rules and regulations of the SEC. The Audit Committee may delegate to one or more members of the Audit Committee the authority to grant pre-approval of non-audit services. The decision of any member to whom such authority is delegated to pre-approve non-audit services will be presented to the full Audit Committee for its approval at its next scheduled meeting.

None of the services disclosed under "Audit Fees," "Audit-Related Fees," "Tax Fees" and "All Other Fees" were approved by the Audit Committee pursuant to the waiver of pre-approval provisions set forth in the applicable rules of the SEC.

During fiscal year 2009, the Audit Committee approved 100% of the total fees that were paid to Grant Thornton.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Please see our discussion under "Compensation Committee Interlocks and Insider Participation" above.

Related-Party Transaction Policy

In addition to the Board of Directors' Corporate Governance Guidelines that address board independence requirements and the obligations of the directors, officers and employees under our Code of Ethical Conduct and Business Practices, both available at www.toredor.net, the Board of Directors has adopted a written policy with respect to the review, approval or ratification of related-party transactions. Our policy generally defines a related-party transaction as a transaction or series of related transactions or any material amendment to any such transaction of \$120,000 or more involving the Company and any executive officer of the Company, any director or director nominee of the Company, persons owning 5% or more of our outstanding stock at the time of the transaction, any immediate family member of any of the foregoing persons, or any entity that is owned or controlled by any of the foregoing persons or in which any such person serves as an executive officer or general partner or, together with all of the foregoing persons, owns 10% or more of the equity interests thereof.

The policy requires our Audit Committee to review and approve related-party transactions and any material amendments to such related party transactions. In reviewing and approving any related-party transaction or any material amendment thereto, the Audit Committee is to (i) satisfy itself that it has been fully informed as to the related party's relationship and interest and as to the material facts of the proposed related-party transaction or the proposed material amendment to such transaction, and (ii) determine that the related-party transaction or material amendment thereto is fair to the Company. At each Audit Committee meeting, management shall recommend any related-party transactions and any material amendments thereto, if applicable, to be entered into by us. After review, the Audit Committee shall approve or disapprove such transactions and any material amendments to such transactions.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires directors and officers of Toreador, and persons who own more than 10% of Toreador common stock, to file with the SEC initial reports of ownership and reports of changes in ownership of the common stock. Directors, officers and persons who own more than 10% percent of Toreador common stock are required by SEC regulations to furnish Toreador with copies of all Section 16(a) forms they file.

To Toreador's knowledge, based solely on a review of the copies of such reports furnished to Toreador and written representations that no other reports were required, during the year ended December 31, 2009, Toreador's directors, officers and persons who own more than 10% of Toreador common stock complied with all Section 16(a) filing requirements except: (i) Marc Senges failed to timely file a Form 3 upon his appointment as Chief Financial Officer of the Company, and Bernard de Combret failed to timely file a Form 3 upon becoming a director of the Company; however, at the date of such filing, neither of Messrs. Senges or de Combret held shares of our common stock. Form 3s were subsequently filed by Messrs. Senges and de Combret. In addition, timely Form 4s were not filed by Mr. Sengès and Mr. de Combret to report a restricted stock award and a stock award, respectively. Form 4s were subsequently filed by each; (ii) In June 2009, Adam Kroloff, Ian Vann and Nicholas Gay were elected directors of the Company. Timely Forms 3 were not filed by such directors; however, at the date of such filing, none of Messrs. Kroloff, Vann or Gay held shares of our common stock. A Form 3 was subsequently filed by each; and (iii) Herbert Williamson III did not timely file a Form 4 to report a sale of the Company's securities in one transaction. A Form 4 was subsequently filed by Mr. Williamson to report the transaction.

CODE OF CONDUCT

Toreador has adopted a Code of Ethical Conduct and Business Practices applicable to all directors, officers and employees of Toreador, including our Chief Executive Officer and our Chief Financial Officer. The text of the Code of Ethical Conduct and Business Practices is posted on our website at www.toreador.net.

HOUSEHOLDING

The SEC has adopted rules that permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single proxy statement addressed to those stockholders. This process, which is commonly referred to as "householding," potentially means convenience for stockholders and cost savings for companies.

A number of brokers with account holders who are Toreador stockholders may be householding our proxy materials, to the extent such stockholders have given their prior express or implied consent in accordance with SEC rules. A single proxy statement and annual report will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Toreador will promptly deliver a separate copy of such proxy statement and annual report upon request. Once you have received notice from your broker that it will be householding communications to your address, householding will continue until you are notified otherwise or until you revoke your consent, which is deemed to be given unless you inform the broker otherwise when you receive the original notice of householding. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate proxy statement and annual report, please notify your broker to discontinue householding and direct your written request to receive a separate proxy statement and annual report by mail to c/o Shirley Anderson, Corporate Secretary, 13760 Noel Road, Suite 1100, Dallas, Texas 75240-1383 or by telephone at (214) 559-3933. Stockholders who currently

receive multiple copies of the proxy statement and annual report at their address and would like to request householding of their communications should contact their broker.

STOCKHOLDER PROPOSALS FOR 2011 ANNUAL MEETING

It is currently contemplated that Toreador's 2011 Annual Meeting of Stockholders will take place on June 2, 2011. Any stockholder who intends to present a proposal at the 2011 Annual Meeting of Stockholders, and who wishes to have a proposal included in Toreador's proxy statement for that meeting, must deliver the proposal to Toreador's Secretary at its office principal executive offices for receipt not later than December 27, 2010. A stockholder proposal submitted outside of the processes established in Rule 14a-8 of the Exchange Act will be considered untimely after March 12, 2011. All proposals must meet the requirements set forth in the rules and regulations of the SEC and/or our bylaws in order to be eligible for inclusion in the proxy statement for that meeting.

ANNUAL REPORT AND FINANCIAL STATEMENTS

A record of Toreador's activities is contained in the enclosed 2009 Annual Report. You may also access our 2009 Annual Report at no charge at <https://materials.proxyvote.com/891050>, our website at www.toreador.net or at the website maintained by the SEC at www.sec.gov.

By Order of the Board of Directors,

A handwritten signature in black ink, appearing to read "P. Hill", is positioned above the printed name of Peter Hill.

Peter Hill
Non-Executive Chairman of the Board of Directors

TOREADOR RESOURCES CORPORATION

2005 LONG-TERM INCENTIVE PLAN

The Toreador Resources Corporation 2005 Long-Term Incentive Plan (the "**Plan**") was adopted by the Board of Directors of Toreador Resources Corporation, a Delaware corporation (the "**Company**"), effective as of May 19, 2005 (the "**Effective Date**"), subject to approval by the Company's stockholders.

**ARTICLE 1
PURPOSE**

The purpose of the Plan is to attract and retain the services of key Employees, key Consultants and Outside Directors of the Company and its Subsidiaries and to provide such persons with a proprietary interest in the Company through the granting of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards, dividend equivalent rights, and other awards, whether granted singly, or in combination, or in tandem, that will

- (a) increase the interest of such persons in the Company's welfare;
- (b) furnish an incentive to such persons to continue their services for the Company; and
- (c) provide a means through which the Company may attract able persons as employees, Consultants and Outside Directors.

With respect to Reporting Participants, the Plan and all transactions under the Plan are intended to comply with all applicable conditions of Rule 16b-3 promulgated under the Securities Exchange Act of 1934 (the "**1934 Act**"). To the extent any provision of the Plan or action by the Committee fails to so comply, it shall be deemed null and void *ab initio*, to the extent permitted by law and deemed advisable by the Committee.

**ARTICLE 2
DEFINITIONS**

For the purpose of the Plan, unless the context requires otherwise, the following terms shall have the meanings indicated:

2.1 "**Award**" means the grant of any Incentive Stock Option, Nonqualified Stock Option, Reload Option, Restricted Stock, SAR, Restricted Stock Units, Performance Award, Dividend Equivalent Right or Other Award, whether granted singly or in combination or in tandem (each individually referred to herein as an "Incentive").

2.2 "**Award Agreement**" means a written agreement between a Participant and the Company which sets out the terms of the grant of an Award.

2.3 "**Award Period**" means the period set forth in the Award Agreement during which one or more Incentives granted under an Award may be exercised.

2.4 "**Board**" means the board of directors of the Company.

2.5 "**Change in Control**" means any one of the following, except as otherwise provided herein: (i) during any period of two (2) consecutive years, individuals who, at the beginning of such period constituted the entire Board, cease for any reason (other than death) to constitute a majority of the directors, unless the election, or the nomination for election, by the Company's stockholders, of each new director was approved by a vote of a least a majority of the directors then still in office who were directors at the beginning of the period; (ii) any person or group of persons (i.e., two or more persons agreeing to act together for the purpose of acquiring, holding, voting or

disposing of equity securities of the Company (other than any "group" deemed to exist by virtue of aggregating the number of securities beneficially owned by any or all of the current directors of the Company (and the "Affiliates" of such directors, as that term is defined below) serving as such as of Effective Date (collectively, the "**Exempt Group**") together with his or its Affiliates, becomes the beneficial owner, directly or indirectly, of 50.1% or more of the voting power of the Company's then outstanding securities entitled generally to vote for the election of the Company's directors; (iii) the merger or consolidation of the Company with or into any other entity if the Company is not the surviving entity (or the Company is the surviving entity but voting securities of the Company are exchanged for securities of any other entity) and any person or group of persons (other than the Exempt Group), together with his or its Affiliates, is the beneficial owner, directly or indirectly, of 50.1% or more of the surviving entity's then outstanding securities entitled generally to vote for the election of the surviving entity's directors; or (iv) the sale of all or substantially all of the assets of the Company or the liquidation or dissolution of the Company. For purposes of this *Section 2.5*, the term "**Affiliate**" with respect to any person shall mean any person who directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the person specified. Notwithstanding the foregoing provisions of this *Section 2.5*, in the event an Award issued under the Plan is subject to Section 409A of the Code, then, in lieu of the foregoing definition and to the extent necessary to comply with the requirements of Section 409A of the Code, the definition of "Change in Control" for purposes of such Award shall be the definition provided for under Section 409A of the Code and the regulations or other guidance issued thereunder.

2.6 "**Code**" means the Internal Revenue Code of 1986, as amended.

2.7 "**Committee**" means the committee appointed or designated by the Board to administer the Plan in accordance with *Article 3* of this Plan.

2.8 "**Common Stock**" means the common stock, par value \$0.15625 per share, which the Company is currently authorized to issue or may in the future be authorized to issue, or any securities into which or for which the common stock of the Company may be converted or exchanged, as the case may be, pursuant to the terms of this Plan.

2.9 "**Company**" means Toreador Resources Corporation, a Delaware corporation, and any successor entity.

2.10 "**Consultant**" means any person performing advisory or consulting services for the Company or a Subsidiary, with or without compensation, provided that *bona fide* services must be rendered by such person and such services shall not be rendered in connection with the offer or sale of securities in a capital raising transaction.

2.11 "**Corporation**" means any entity that (i) is defined as a corporation under Section 7701 of the Code and (ii) is the Company or is in an unbroken chain of corporations (other than the Company) beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing a majority of the total combined voting power of all classes of stock in one of the other corporations in the chain. For purposes of clause (ii) hereof, an entity shall be treated as a "corporation" if it satisfies the definition of a corporation under Section 7701 of the Code.

2.12 "**Date of Grant**" means the effective date on which an Award is made to a Participant as set forth in the applicable Award Agreement; provided, however, that solely for purposes of Section 16 of the 1934 Act and the rules and regulations promulgated thereunder, the Date of Grant of an Award shall be the date of stockholder approval of the Plan if such date is later than the effective date of such Award as set forth in the Award Agreement.

[Table of Contents](#)

2.13 "**Dividend Equivalent Right**" means the right of the holder thereof to receive credits based on the cash dividends that would have been paid on the shares of Common Stock specified in the Award if such shares were held by the Participant to whom the Award is made.

2.14 "**Employee**" means a common law employee (as defined in accordance with the Regulations and Revenue Rulings then applicable under Section 3401(c) of the Code) of the Company or any Subsidiary of the Company.

2.15 "**Executive Officer**" means an officer of the Company or a Subsidiary subject to Section 16 of the 1934 Act or a "covered employee" as defined in Section 162(m)(3) of the Code.

2.16 "**Fair Market Value**" means, as of a particular date, (a) if the shares of Common Stock are listed on any established national securities exchange, the closing sales price per share of Common Stock on the consolidated transaction reporting system for the principal securities exchange for the Common Stock on that date, or, if there shall have been no such sale so reported on that date, on the last preceding date on which such a sale was so reported, (b) if the shares of Common Stock are not so listed but are quoted on the Nasdaq National Market System, the closing sales price per share of Common Stock on the Nasdaq National Market System on that date, or, if there shall have been no such sale so reported on that date, on the last preceding date on which such a sale was so reported, (c) if the Common Stock is not so listed or quoted, the mean between the closing bid and asked price on that date, or, if there are no quotations available for such date, on the last preceding date on which such quotations shall be available, as reported by Nasdaq, or, if not reported by Nasdaq, by the National Quotation Bureau, Inc., or (d) if none of the above is applicable, such amount as may be determined by the Committee (acting on the advice of an Independent Third Party, should the Committee elect in its sole discretion to utilize an Independent Third Party for this purpose), in good faith, to be the fair market value per share of Common Stock.

2.17 "**Independent Third Party**" means an individual or entity independent of the Company having experience in providing investment banking or similar appraisal or valuation services and with expertise generally in the valuation of securities or other property for purposes of this Plan. The Committee may utilize one or more Independent Third Parties.

2.18 "**Incentive**" is defined in *Section 2.1* of the Plan.

2.19 "**Incentive Stock Option**" means an incentive stock option within the meaning of Section 422 of the Code, granted pursuant to this Plan.

2.20 "**Nonqualified Stock Option**" means a nonqualified stock option, granted pursuant to this Plan, which is not an Incentive Stock Option.

2.21 "**Option Price**" means the price which must be paid by a Participant upon exercise of a Stock Option to purchase a share of Common Stock.

2.22 "**Other Award**" means an Award issued pursuant to *Section 6.9* of the Plan.

2.23 "**Outside Director**" means a director of the Company who is not an Employee or a Consultant.

2.24 "**Participant**" means an Employee, Consultant or Outside Director of the Company or a Subsidiary to whom an Award is granted under this Plan.

2.25 "**Plan**" means this Toredor Resources Corporation 2005 Long-Term Incentive Plan, as amended from time to time.

[Table of Contents](#)

2.26 "**Performance Award**" means an Award hereunder of cash, shares of Common Stock, units or rights based upon, payable in, or otherwise related to, Common Stock pursuant to *Section 6.7* of the Plan.

2.27 "**Performance Goal**" means any of the goals set forth in *Section 6.10* of the Plan.

2.28 "**Reload Stock Option**" means a Nonqualified Stock Option or an Incentive Stock Option granted pursuant to *Section 8.3(c)* of the Plan.

2.29 "**Reporting Participant**" means a Participant who is subject to the reporting requirements of Section 16 of the 1934 Act.

2.30 "**Restricted Stock**" means shares of Common Stock issued or transferred to a Participant pursuant to *Section 6.4* of this Plan which are subject to restrictions or limitations set forth in this Plan and in the related Award Agreement.

2.31 "**Restricted Stock Units**" means units awarded to Participants pursuant to *Section 6.6* of the Plan, which are convertible into Common Stock at such time as such units are no longer subject to restrictions as established by the Committee.

2.32 "**Retirement**" means any Termination of Service solely due to retirement upon or after attainment of age sixty-five (65), or permitted early retirement as determined by the Committee.

2.33 "**SAR**" or "**stock appreciation right**" means the right to receive an amount, in cash and/or Common Stock, equal to the excess of the Fair Market Value of a specified number of shares of Common Stock as of the date the SAR is exercised (or, as provided in the Award Agreement, converted) over the SAR Price for such shares.

2.34 "**SAR Price**" means the exercise price or conversion price of each share of Common Stock covered by a SAR, determined on the Date of Grant of the SAR.

2.35 "**Stock Option**" means a Nonqualified Stock Option, a Reload Stock Option or an Incentive Stock Option.

2.36 "**Subsidiary**" means (i) any corporation in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing a majority of the total combined voting power of all classes of stock in one of the other corporations in the chain, (ii) any limited partnership, if the Company or any corporation described in item (i) above owns a majority of the general partnership interest and a majority of the limited partnership interests entitled to vote on the removal and replacement of the general partner, and (iii) any partnership or limited liability company, if the partners or members thereof are composed only of the Company, any corporation listed in item (i) above or any limited partnership listed in item (ii) above. "**Subsidiaries**" means more than one of any such corporations, limited partnerships, partnerships or limited liability companies.

2.37 "**Termination of Service**" occurs when a Participant who is (i) an Employee of the Company or any Subsidiary ceases to serve as an Employee of the Company and its Subsidiaries, for any reason; (ii) an Outside Director of the Company or a Subsidiary ceases to serve as a director of the Company and its Subsidiaries for any reason; or (iii) a Consultant of the Company or a Subsidiary ceases to serve as a Consultant of the Company and its Subsidiaries for any reason. Except as may be necessary or desirable to comply with applicable federal or state law, a "Termination of Service" shall not be deemed to have occurred when a Participant who is an Employee becomes an Outside Director or Consultant or vice versa. If, however, a Participant who is an Employee and who has an Incentive Stock Option ceases to be an Employee but does not suffer a Termination of Service, and if that Participant does not exercise the Incentive Stock Option within the time required under Section 422 of the Code upon ceasing to be an Employee,

the Incentive Stock Option shall thereafter become a Nonqualified Stock Option. Notwithstanding the foregoing provisions of this *Section 2.37*, in the event an Award issued under the Plan is subject to Section 409A of the Code, then, in lieu of the foregoing definition and to the extent necessary to comply with the requirements of Section 409A of the Code, the definition of "Termination of Service" for purposes of such Award shall be the definition of "separation from service" provided for under Section 409A of the Code and the regulations or other guidance issued thereunder.

2.38 "**Total and Permanent Disability**" means a Participant is qualified for long-term disability benefits under the Company's or Subsidiary's disability plan or insurance policy; or, if no such plan or policy is then in existence or if the Participant is not eligible to participate in such plan or policy, that the Participant, because of a physical or mental condition resulting from bodily injury, disease, or mental disorder which prevents the Participant from performing his or her duties of employment for a period of six (6) continuous months, as determined in good faith by the Committee, based upon medical reports or other evidence satisfactory to the Committee; *provided that*, with respect to any Incentive Stock Option, Total and Permanent Disability shall have the meaning given it under the rules governing Incentive Stock Options under the Code. Notwithstanding the foregoing provisions of this *Section 2.38*, in the event an Award issued under the Plan is subject to Section 409A of the Code, then, in lieu of the foregoing definition and to the extent necessary to comply with the requirements of Section 409A of the Code, the definition of "Total and Permanent Disability" for purposes of such Award shall be the definition of "disability" provided for under Section 409A of the Code and the regulations or other guidance issued thereunder.

ARTICLE 3 ADMINISTRATION

3.1 General Administration; Establishment of Committee. Subject to the terms of this *Article 3*, the Plan shall be administered by the Board or such committee of the Board as is designated by the Board to administer the Plan (the "**Committee**"). The Committee shall consist of not fewer than two persons. Any member of the Committee may be removed at any time, with or without cause, by resolution of the Board. Any vacancy occurring in the membership of the Committee may be filled by appointment by the Board. At any time there is no Committee to administer the Plan, any references in this Plan to the Committee shall be deemed to refer to the Board.

Membership on the Committee shall be limited to those members of the Board who are "outside directors" under Section 162(m) of the Code and "non-employee directors" as defined in Rule 16b-3 promulgated under the 1934 Act. The Committee shall select one of its members to act as its Chairman. A majority of the Committee shall constitute a quorum, and the act of a majority of the members of the Committee present at a meeting at which a quorum is present shall be the act of the Committee.

3.2 Designation of Participants and Awards.

(a) The Committee or the Board shall determine and designate from time to time the eligible persons to whom Awards will be granted and shall set forth in each related Award Agreement, where applicable, the Award Period, the Date of Grant, and such other terms, provisions, limitations, and performance requirements, as are approved by the Committee, but not inconsistent with the Plan. The Committee shall determine whether an Award shall include one type of Incentive or two or more Incentives granted in combination or two or more Incentives granted in tandem (that is, a joint grant where exercise of one Incentive results in cancellation of all or a portion of the other Incentive). Although the members of the Committee shall be eligible to receive Awards, all decisions with respect to any Award, and the terms and conditions thereof, to

be granted under the Plan to any member of the Committee shall be made solely and exclusively by the other members of the Committee, or if such member is the only member of the Committee, by the Board.

(b) Notwithstanding Subsection 3.2(a), the Board may, in its discretion and by a resolution adopted by the Board, authorize one or more officers of the Company (an "Authorized Officer") to (i) designate one or more Employees as eligible persons to whom Awards will be granted under the Plan and (ii) determine the number of shares of Common Stock that will be subject to such Awards; provided, however, that the resolution of the Board granting such authority shall (x) specify the total number of shares of Common Stock that may be made subject to the Awards, (y) set forth the price or prices (or a formula by which such price or prices may be determined) to be paid for the purchase of the Common Stock subject to such Awards, and (z) not authorize an officer to designate himself as a recipient of any Award.

3.3 Authority of the Committee. The Committee, in its discretion, shall (i) interpret the Plan, (ii) prescribe, amend, and rescind any rules and regulations necessary or appropriate for the administration of the Plan, (iii) establish performance goals for an Award and certify the extent of their achievement, and (iv) make such other determinations or certifications and take such other action as it deems necessary or advisable in the administration of the Plan. Any interpretation, determination, or other action made or taken by the Committee shall be final, binding, and conclusive on all interested parties. The Committee's discretion set forth herein shall not be limited by any provision of the Plan, including any provision which by its terms is applicable notwithstanding any other provision of the Plan to the contrary.

The Committee may delegate to officers of the Company, pursuant to a written delegation, the authority to perform specified functions under the Plan. Any actions taken by any officers of the Company pursuant to such written delegation of authority shall be deemed to have been taken by the Committee.

With respect to restrictions in the Plan that are based on the requirements of Rule 16b-3 promulgated under the 1934 Act, Section 422 of the Code, Section 162(m) of the Code, the rules of any exchange or inter-dealer quotation system upon which the Company's securities are listed or quoted, or any other applicable law, rule or restriction (collectively, "*applicable law*"), to the extent that any such restrictions are no longer required by applicable law, the Committee shall have the sole discretion and authority to grant Awards that are not subject to such mandated restrictions and/or to waive any such mandated restrictions with respect to outstanding Awards.

ARTICLE 4 ELIGIBILITY

Any Employee (including an Employee who is also a director or an officer), Consultant or Outside Director of the Company whose judgment, initiative, and efforts contributed or may be expected to contribute to the successful performance of the Company is eligible to participate in the Plan; provided that only Employees of a corporation shall be eligible to receive Incentive Stock Options. The Committee, upon its own action, may grant, but shall not be required to grant, an Award to any Employee, Consultant or Outside Director of the Company or any Subsidiary. Awards may be granted by the Committee at any time and from time to time to new Participants, or to then Participants, or to a greater or lesser number of Participants, and may include or exclude previous Participants, as the Committee shall determine. Except as required by this Plan, Awards granted at different times need not contain similar provisions. The Committee's determinations under the Plan (including without limitation determinations of which Employees, Consultants or Outside Directors, if any, are to receive Awards, the form, amount and timing of such Awards, the terms and provisions of such Awards and the agreements evidencing same) need not be uniform and may be made by it selectively among Participants who receive, or are eligible to receive, Awards under the Plan.

**ARTICLE 5
SHARES SUBJECT TO PLAN**

5.1 Number Available for Awards. Subject to adjustment as provided in *Articles 11 and 12* of the Plan, the maximum number of shares of Common Stock that may be delivered pursuant to Awards, other than Incentive Stock Options, granted under the Plan is 250,000 shares, and the maximum number of shares of Common Stock that may be delivered pursuant to Incentive Stock Options is 100,000 shares. Subject to adjustment pursuant to *Articles 11 and 12*, no Executive Officer may receive in any calendar year (i) Stock Options or SARs relating to more than 20,000 shares of Common Stock, or (ii) Restricted Stock, Restricted Stock Units, Performance Awards or Other Awards that are subject to the attainment of Performance Goals relating to more than 20,000 shares of Common Stock; provided, however, that all such Awards to any Executive Officer during any calendar year shall not exceed an aggregate of more than 40,000 shares of Common Stock. Shares to be issued may be made available from authorized but unissued Common Stock, Common Stock held by the Company in its treasury, or Common Stock purchased by the Company on the open market or otherwise. During the term of this Plan, the Company will at all times reserve and keep available the number of shares of Common Stock that shall be sufficient to satisfy the requirements of this Plan.

5.2 Reuse of Shares. To the extent that any Award under this Plan shall be forfeited, shall expire or be canceled, in whole or in part, then the number of shares of Common Stock covered by the Award or stock option so forfeited, expired or canceled may again be awarded pursuant to the provisions of this Plan. In the event that previously acquired shares of Common Stock are delivered to the Company in full or partial payment of the exercise price for the exercise of a Stock Option granted under this Plan, the number of shares of Common Stock available for future Awards under this Plan shall be reduced only by the net number of shares of Common Stock issued upon the exercise of the Stock Option. Awards that may be satisfied either by the issuance of shares of Common Stock or by cash or other consideration shall be counted against the maximum number of shares of Common Stock that may be issued under this Plan only during the period that the Award is outstanding or to the extent the Award is ultimately satisfied by the issuance of shares of Common Stock. Awards will not reduce the number of shares of Common Stock that may be issued pursuant to this Plan if the settlement of the Award will not require the issuance of shares of Common Stock, as, for example, a SAR that can be satisfied only by the payment of cash. Notwithstanding any provisions of the Plan to the contrary, only shares forfeited back to the Company, shares canceled on account of termination, expiration or lapse of an Award, shares surrendered in payment of the exercise price of an option or shares withheld for payment of applicable employment taxes and/or withholding obligations resulting from the exercise of an option shall again be available for grant of Incentive Stock Options under the Plan, but shall not increase the maximum number of shares described in *Section 5.1(a)* above as the maximum number of shares of Common Stock that may be delivered pursuant to Incentive Stock Options.

**ARTICLE 6
GRANT OF AWARDS**

6.1 In General.

(a) The grant of an Award shall be authorized by the Committee and shall be evidenced by an Award Agreement setting forth the Incentive or Incentives being granted, the total number of shares of Common Stock subject to the Incentive(s), the Option Price (if applicable), the Award Period, the Date of Grant, and such other terms, provisions, limitations, and performance objectives, as are approved by the Committee, but not inconsistent with the Plan. The Company shall execute an Award Agreement with a Participant after the Committee approves the issuance of an Award. Any Award granted pursuant to this Plan must be granted within ten (10) years of the date of adoption of this Plan. The Plan shall be submitted to the Company's stockholders for

approval; however, the Committee may grant Awards under the Plan prior to the time of stockholder approval. Any such Award granted prior to such stockholder approval shall be made subject to such stockholder approval. The grant of an Award to a Participant shall not be deemed either to entitle the Participant to, or to disqualify the Participant from, receipt of any other Award under the Plan.

(b) If the Committee establishes a purchase price for an Award, the Participant must accept such Award within a period of thirty (30) days (or such shorter period as the Committee may specify) after the Date of Grant by executing the applicable Award Agreement and paying such purchase price.

(c) Any Award under this Plan that is settled in whole or in part in cash on a deferred basis may provide for interest equivalents to be credited with respect to such cash payment. Interest equivalents may be compounded and shall be paid upon such terms and conditions as may be specified by the grant.

6.2 Option Price. The Option Price for any share of Common Stock which may be purchased under a Nonqualified Stock Option for any share of Common Stock may be equal to or greater than the Fair Market Value of the share on the Date of Grant. The Option Price for any share of Common Stock which may be purchased under an Incentive Stock Option must be at least equal to the Fair Market Value of the share on the Date of Grant; if an Incentive Stock Option is granted to an Employee who owns or is deemed to own (by reason of the attribution rules of Section 424 (d) of the Code) more than ten percent (10%) of the combined voting power of all classes of stock of the Company (or any parent or Subsidiary), the Option Price shall be at least 110% of the Fair Market Value of the Common Stock on the Date of Grant.

6.3 Maximum ISO Grants. The Committee may not grant Incentive Stock Options under the Plan to any Employee which would permit the aggregate Fair Market Value (determined on the Date of Grant) of the Common Stock with respect to which Incentive Stock Options (under this and any other plan of the Company and its Subsidiaries) are exercisable for the first time by such Employee during any calendar year to exceed \$100,000. To the extent any Stock Option granted under this Plan which is designated as an Incentive Stock Option exceeds this limit or otherwise fails to qualify as an Incentive Stock Option, such Stock Option (or any such portion thereof) shall be a Nonqualified Stock Option. In such case, the Committee shall designate which stock will be treated as Incentive Stock Option stock by causing the issuance of a separate stock certificate and identifying such stock as Incentive Stock Option stock on the Company's stock transfer records.

6.4 Restricted Stock. If Restricted Stock is granted to or received by a Participant under an Award (including a Stock Option), the Committee shall set forth in the related Award Agreement: (i) the number of shares of Common Stock awarded, (ii) the price, if any, to be paid by the Participant for such Restricted Stock and the method of payment of the price, (iii) the time or times within which such Award may be subject to forfeiture, (iv) specified Performance Goals of the Company, a Subsidiary, any division thereof or any group of Employees of the Company, or other criteria, which the Committee determines must be met in order to remove any restrictions (including vesting) on such Award, and (v) all other terms, limitations, restrictions, and conditions of the Restricted Stock, which shall be consistent with this Plan. The provisions of Restricted Stock need not be the same with respect to each Participant.

(a) **Legend on Shares.** Each Participant who is awarded or receives Restricted Stock shall be issued a stock certificate or certificates in respect of such shares of Common Stock. Such certificate(s) shall be registered in the name of the Participant, and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock, substantially as provided in *Section 15.9* of the Plan.

(b) Restrictions and Conditions. Shares of Restricted Stock shall be subject to the following restrictions and conditions:

(i) Subject to the other provisions of this Plan and the terms of the particular Award Agreements, during such period as may be determined by the Committee commencing on the Date of Grant or the date of exercise of an Award (the "**Restriction Period**"), the Participant shall not be permitted to sell, transfer, pledge or assign shares of Restricted Stock. Except for these limitations, the Committee may in its sole discretion, remove any or all of the restrictions on such Restricted Stock whenever it may determine that, by reason of changes in applicable laws or other changes in circumstances arising after the date of the Award, such action is appropriate.

(ii) Except as provided in sub-paragraph (i) above or in the applicable Award Agreement, the Participant shall have, with respect to his or her Restricted Stock, all of the rights of a stockholder of the Company, including the right to vote the shares, and the right to receive any dividends thereon. Certificates for shares of Common Stock free of restriction under this Plan shall be delivered to the Participant promptly after, and only after, the Restriction Period shall expire without forfeiture in respect of such shares of Common Stock or after any other restrictions imposed in such shares of Common Stock by the applicable Award Agreement or other agreement have expired. Certificates for the shares of Common Stock forfeited under the provisions of the Plan and the applicable Award Agreement shall be promptly returned to the Company by the forfeiting Participant. Each Award Agreement shall require that each Participant, in connection with the issuance of a certificate for Restricted Stock, shall endorse such certificate in blank or execute a stock power in form satisfactory to the Company in blank and deliver such certificate and executed stock power to the Company.

(iii) The Restriction Period of Restricted Stock shall commence on the Date of Grant or the date of exercise of an Award, as specified in the Award Agreement, and, subject to *Article 12* of the Plan, unless otherwise established by the Committee in the Award Agreement setting forth the terms of the Restricted Stock, shall expire upon satisfaction of the conditions set forth in the Award Agreement; such conditions may provide for vesting based on such Performance Goals, as may be determined by the Committee in its sole discretion.

(iv) Except as otherwise provided in the particular Award Agreement, upon Termination of Service for any reason during the Restriction Period, the nonvested shares of Restricted Stock shall be forfeited by the Participant. In the event a Participant has paid any consideration to the Company for such forfeited Restricted Stock, the Committee shall specify in the Award Agreement that either (i) the Company shall be obligated to, or (ii) the Company may, in its sole discretion, elect to, pay to the Participant, as soon as practicable after the event causing forfeiture, in cash, an amount equal to the lesser of the total consideration paid by the Participant for such forfeited shares or the Fair Market Value of such forfeited shares as of the date of Termination of Service, as the Committee, in its sole discretion shall select. Upon any forfeiture, all rights of a Participant with respect to the forfeited shares of the Restricted Stock shall cease and terminate, without any further obligation on the part of the Company.

6.5 SARs. The Committee may grant SARs to any Participant, either as a separate Award or in connection with a Stock Option. SARs shall be subject to such terms and conditions as the Committee shall impose, provided that such terms and conditions are (i) not inconsistent with the Plan and (ii) to the extent a SAR issued under the Plan is subject to Section 409A of the Code, in compliance with the applicable requirements of Section 409A of the Code and the regulations or other guidance issued thereunder. The grant of the SAR may provide that the holder may be paid for the value of the SAR either in cash or in shares of Common Stock, or a combination thereof. In the event of the exercise of a SAR payable in shares of Common Stock, the holder of the SAR shall receive that number of whole

shares of Common Stock having an aggregate Fair Market Value on the date of exercise equal to the value obtained by multiplying (i) the difference between the Fair Market Value of a share of Common Stock on the date of exercise over the SAR Price as set forth in such SAR (or other value specified in the agreement granting the SAR), by (ii) the number of shares of Common Stock as to which the SAR is exercised, with a cash settlement to be made for any fractional shares of Common Stock. The SAR Price for any share of Common Stock subject to a SAR may be equal to or greater than the Fair Market Value of the share on the Date of Grant. The Committee, in its sole discretion, may place a ceiling on the amount payable upon exercise of a SAR, but any such limitation shall be specified at the time that the SAR is granted.

6.6 Restricted Stock Units. Restricted Stock Units may be awarded or sold to any Participant under such terms and conditions as shall be established by the Committee, provided, however, that such terms and conditions are (i) not inconsistent with the Plan and (ii) to the extent a Restricted Stock Unit issued under the Plan is subject to Section 409A of the Code, in compliance with the applicable requirements of Section 409A of the Code and the regulations or other guidance issued thereunder. Restricted Stock Units shall be subject to such restrictions as the Committee determines, including, without limitation, (a) a prohibition against sale, assignment, transfer, pledge, hypothecation or other encumbrance for a specified period; or (b) a requirement that the holder forfeit (or in the case of shares of Common Stock or units sold to the Participant, resell to the Company at cost) such shares or units in the event of Termination of Service during the period of restriction.

6.7 Performance Awards.

(a) The Committee may grant Performance Awards to any Participant upon such terms and conditions as shall be specified at the time of the grant and may include provisions establishing the performance period, the Performance Goals to be achieved during a performance period, and the maximum or minimum settlement values, provided that such terms and conditions are (i) not inconsistent with the Plan and (ii) to the extent a Performance Award issued under the Plan is subject to Section 409A of the Code, in compliance with the applicable requirements of Section 409A of the Code and the regulations or other guidance issued thereunder. Each Performance Award shall have its own terms and conditions. At the time of the grant of a Performance Award intended to satisfy the requirements of Section 162(m) of the Code (other than a Stock Option) and to the extent permitted under Section 162(m) of the Code and the regulations issued thereunder, the Committee:

(i) shall provide for the manner in which the Performance Goals shall be reduced to take into account the negative effect on the attained levels of the Performance Goals which result from specified corporate transactions, extraordinary events, accounting changes and other similar occurrences, so long as those transactions, events, changes and occurrences were not certain at the time the Performance Goal was initially established and the amount of the Performance Award for any Participant is not increased, unless the reduction in the Performance Goals would reduce or eliminate the amount of the Performance Award, and the Committee determines not to make such reduction; and

(ii) may provide for the manner in which the Performance Goals will be measured in light of specified corporate transactions, extraordinary events, accounting changes and other similar occurrences, to the extent those transactions, events, changes and occurrences have a positive effect on the attained levels of the Performance Goals, so long as the Committee's actions do not increase the amount of the Performance Award for any Participant.

The determination of the amount of any reduction in the Performance Goals shall be made by the Committee in consultation with the Company's independent auditor or compensation consultant. With respect to a Performance Award that is not intended to satisfy the requirements of Section 162(m) of the Code, if the Committee determines, in its sole discretion, that the

[Table of Contents](#)

established performance measures or objectives are no longer suitable because of a change in the Company's business, operations, corporate structure, or for other reasons that the Committee deemed satisfactory, the Committee may modify the performance measures or objectives and/or the performance period.

(b) Performance Awards may be valued by reference to the Fair Market Value of a share of Common Stock or according to any formula or method deemed appropriate by the Committee, in its sole discretion, including, but not limited to, achievement of Performance Goals or other specific financial, production, sales or cost performance objectives that the Committee believes to be relevant to the Company's business and/or remaining in the employ of the Company for a specified period of time. Performance Awards may be paid in cash, shares of Common Stock, or other consideration, or any combination thereof. If payable in shares of Common Stock, the consideration for the issuance of such shares may be the achievement of the performance objective established at the time of the grant of the Performance Award. Performance Awards may be payable in a single payment or in installments and may be payable at a specified date or dates or upon attaining the performance objective. The extent to which any applicable performance objective has been achieved shall be conclusively determined by the Committee.

6.8 Dividend Equivalent Rights. The Committee may grant a Dividend Equivalent Right to any Participant, either as a component of another Award or as a separate Award. The terms and conditions of the Dividend Equivalent Right shall be specified by the grant. Dividend equivalents credited to the holder of a Dividend Equivalent Right may be paid currently or may be deemed to be reinvested in additional shares of Common Stock (which may thereafter accrue additional dividend equivalents). Any such reinvestment shall be at the Fair Market Value at the time thereof. Dividend Equivalent Rights may be settled in cash or shares of Common Stock, or a combination thereof, in a single payment or in installments. A Dividend Equivalent Right granted as a component of another Award may provide that such Dividend Equivalent Right shall be settled upon exercise, settlement, or payment of, or lapse of restrictions on, such other Award, and that such Dividend Equivalent Right granted as a component of another Award may also contain terms and conditions different from such other Award.

6.9 Other Awards. The Committee may grant to any Participant other forms of Awards, based upon, payable in, or otherwise related to, in whole or in part, shares of Common Stock, if the Committee determines that such other form of Award is consistent with the purpose and restrictions of this Plan. The terms and conditions of such other form of Award shall be specified by the grant. Such Other Awards may be granted for no cash consideration, for such minimum consideration as may be required by applicable law, or for such other consideration as may be specified by the grant.

6.10 Performance Goals. Awards of Restricted Stock, Restricted Stock Units, Performance Award and Other Awards (whether relating to cash or shares of Common Stock) under the Plan may be made subject to the attainment of Performance Goals relating to one or more business criteria within the meaning of Section 162(m) of the Code may consist of one or more or any combination of the following criteria: cash flow; cost; revenues; sales; ratio of debt to debt plus equity; net borrowing, credit quality or debt ratings; profit before tax; economic profit; earnings before interest and taxes; earnings before interest, taxes, depreciation and amortization; gross margin; earnings per share (whether on a pre-tax, after-tax, operational or other basis); operating earnings; capital expenditures; expenses or expense levels; economic value added; ratio of operating earnings to capital spending or any other operating ratios; free cash flow; net profit; net sales; net asset value per share; the accomplishment of mergers, acquisitions, dispositions, public offerings or similar extraordinary business transactions; sales growth; price of the Company's Common Stock; return on assets, equity or stockholders' equity; market share; inventory levels, inventory turn or shrinkage; or total return to stockholders ("**Performance Criteria**"). Any Performance Criteria may be used to measure the performance of the Company as a whole or any business unit of the Company and may be measured relative to a peer group or index. Any Performance Criteria may include or exclude (i) extraordinary,

unusual and/or non-recurring items of gain or loss, (ii) gains or losses on the disposition of a business, (iii) changes in tax or accounting regulations or laws, or (iv) the effect of a merger or acquisition, as identified in the Company's quarterly and annual earnings releases. In all other respects, Performance Criteria shall be calculated in accordance with the Company's financial statements, under generally accepted accounting principles, or under a methodology established by the Committee prior to the issuance of an Award which is consistently applied and identified in the audited financial statements, including footnotes, or the Management Discussion and Analysis section of the Company's annual report. However, the Committee may not in any event increase the amount of compensation payable to an individual upon the attainment of a Performance Goal.

6.11 Tandem Awards. The Committee may grant two or more Incentives in one Award in the form of a "tandem Award," so that the right of the Participant to exercise one Incentive shall be canceled if, and to the extent, the other Incentive is exercised. For example, if a Stock Option and a SAR are issued in a tandem Award, and the Participant exercises the SAR with respect to 100 shares of Common Stock, the right of the Participant to exercise the related Stock Option shall be canceled to the extent of 100 shares of Common Stock.

ARTICLE 7 AWARD PERIOD; VESTING

7.1 Award Period. Subject to the other provisions of this Plan, the Committee may, in its discretion, provide that an Incentive may not be exercised in whole or in part for any period or periods of time or beyond any date specified in the Award Agreement. Except as provided in the Award Agreement, an Incentive may be exercised in whole or in part at any time during its term. The Award Period for an Incentive shall be reduced or terminated upon Termination of Service. No Incentive granted under the Plan may be exercised at any time after the end of its Award Period. No portion of any Incentive may be exercised after the expiration of ten (10) years from its Date of Grant. However, if an Employee owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than ten percent (10%) of the combined voting power of all classes of stock of the Company (or any parent or Subsidiary) and an Incentive Stock Option is granted to such Employee, the term of such Incentive Stock Option (to the extent required by the Code at the time of grant) shall be no more than five (5) years from the Date of Grant.

7.2 Vesting. The Committee, in its sole discretion, may determine that an Incentive will be immediately vested in whole or in part, or that all or any portion may not be vested until a date, or dates, subsequent to its Date of Grant, or until the occurrence of one or more specified events, subject in any case to the terms of the Plan. If the Committee imposes conditions upon vesting, then, subsequent to the Date of Grant, the Committee may, in its sole discretion, accelerate the date on which all or any portion of the Incentive may be vested.

ARTICLE 8 EXERCISE OR CONVERSION OF INCENTIVE

8.1 In General. A vested Incentive may be exercised or converted during its Award Period, subject to limitations and restrictions set forth in the Award Agreement.

8.2 Securities Law and Exchange Restrictions. In no event may an Incentive be exercised or shares of Common Stock be issued pursuant to an Award if a necessary listing or quotation of the shares of Common Stock on a stock exchange or inter-dealer quotation system or any registration under state or federal securities laws required under the circumstances has not been accomplished.

8.3 Exercise of Stock Option.

(a) **In General.** If a Stock Option is exercisable prior to the time it is vested, the Common Stock obtained on the exercise of the Stock Option shall be Restricted Stock which is subject to

the applicable provisions of the Plan and the Award Agreement. If the Committee imposes conditions upon exercise, then subsequent to the Date of Grant, the Committee may, in its sole discretion, accelerate the date on which all or any portion of the Stock Option may be exercised. No Stock Option may be exercised for a fractional share of Common Stock. The granting of a Stock Option shall impose no obligation upon the Participant to exercise that Stock Option.

(b) Notice and Payment. Subject to such administrative regulations as the Committee may from time to time adopt, a Stock Option may be exercised by the delivery of written notice to the Committee setting forth the number of shares of Common Stock with respect to which the Stock Option is to be exercised and the date of exercise thereof (the "**Exercise Date**") which shall be at least three (3) days after giving such notice unless an earlier time shall have been mutually agreed upon. On the Exercise Date, the Participant shall deliver to the Company consideration with a value equal to the total Option Price of the shares to be purchased, payable as provided in the Award Agreement, which may provide for payment in any one or more of the following ways: (a) cash or check, bank draft, or money order payable to the order of the Company, (b) Common Stock (including Restricted Stock) owned by the Participant on the Exercise Date, valued at its Fair Market Value on the Exercise Date, and which the Participant has not acquired from the Company within six (6) months prior to the Exercise Date, (c) by delivery (including by FAX) to the Company or its designated agent of an executed irrevocable option exercise form together with irrevocable instructions from the Participant to a broker or dealer, reasonably acceptable to the Company, to sell certain of the shares of Common Stock purchased upon exercise of the Stock Option or to pledge such shares as collateral for a loan and promptly deliver to the Company the amount of sale or loan proceeds necessary to pay such purchase price, and/or (d) in any other form of valid consideration that is acceptable to the Committee in its sole discretion. In the event that shares of Restricted Stock are tendered as consideration for the exercise of a Stock Option, a number of shares of Common Stock issued upon the exercise of the Stock Option with an Option Price equal to the value of Restricted Stock used as consideration therefor shall be subject to the same restrictions and provisions as the Restricted Stock so tendered.

(c) Reload Stock Options. In the event that shares of Common Stock are delivered by a Participant in payment of all or a portion of the exercise price of a Stock Option as set forth in *Section 8.3(b)* above and/or shares of Common Stock are delivered to or withheld by the Company in satisfaction of the Company's tax withholding obligations upon exercise in accordance with *Section 15.6* of the Plan, then, subject to *Article 10* of the Plan, the Committee may authorize the automatic grant to a Participant so exercising a Nonqualified Stock Option, a replacement Nonqualified Stock Option, and to a Participant so exercising an Incentive Stock Option, a replacement Incentive Stock Option (in either case, a "**Reload Stock Option**"), to purchase that number of shares so delivered to or withheld by the Company, as the case may be, at an option exercise price equal to the Fair Market Value per share of the Common Stock on the date of exercise of the original Stock Option (subject to the provisions of the Plan regarding Incentive Stock Options and, in any event not less than the par value per share of the Common Stock). The option period for a Reload Stock Option will commence on its Date of Grant and expire on the expiration date of the original Stock Option it replaces (subject to the provisions of the Plan regarding Incentive Stock Options), after which period the Reload Stock Option cannot be exercised. The Date of Grant of a Reload Stock Option shall be the date that the Stock Option it replaces is exercised. A Reload Stock Option shall automatically vest and be exercisable in full after the expiration of six (6) months from its Date of Grant. It shall be a condition to the grant of a Reload Stock Option that promptly after its Date of Grant, a stock option agreement shall be delivered to the Participant and executed by the Participant and the Company which sets forth the total number of shares subject to the Reload Stock Option, the option exercise price, the option period of the Reload Stock Option and such other terms and provisions as are consistent with the Plan.

(d) Issuance of Certificate. Except as otherwise provided in *Section 6.4* of the Plan (with respect to shares of Restricted Stock) or in the applicable Award Agreement, upon payment of all amounts due from the Participant, the Company shall cause certificates for the Common Stock then being purchased to be delivered as directed by the Participant (or the person exercising the Participant's Stock Option in the event of his death) at its principal business office promptly after the Exercise Date; provided that if the Participant has exercised an Incentive Stock Option, the Company may at its option retain physical possession of the certificate evidencing the shares acquired upon exercise until the expiration of the holding periods described in Section 422(a)(1) of the Code. The obligation of the Company to deliver shares of Common Stock shall, however, be subject to the condition that, if at any time the Committee shall determine in its discretion that the listing, registration, or qualification of the Stock Option or the Common Stock upon any securities exchange or inter-dealer quotation system or under any state or federal law, or the consent or approval of any governmental regulatory body, is necessary as a condition of, or in connection with, the Stock Option or the issuance or purchase of shares of Common Stock thereunder, the Stock Option may not be exercised in whole or in part unless such listing, registration, qualification, consent, or approval shall have been effected or obtained free of any conditions not reasonably acceptable to the Committee.

(e) Failure to Pay. Except as may otherwise be provided in an Award Agreement, if the Participant fails to pay for any of the Common Stock specified in such notice or fails to accept delivery thereof, that portion of the Participant's Stock Option and right to purchase such Common Stock may be forfeited by the Company.

8.4 SARs. Subject to the conditions of this Section 8.4 and such administrative regulations as the Committee may from time to time adopt, a SAR may be exercised by the delivery (including by FAX) of written notice to the Committee setting forth the number of shares of Common Stock with respect to which the SAR is to be exercised and the date of exercise thereof (the "**Exercise Date**") which shall be at least three (3) days after giving such notice unless an earlier time shall have been mutually agreed upon. Subject to the terms of the Award Agreement and only if permissible under Section 409A of the Code and the regulations or other guidance issued thereunder (or, if not so permissible, at such time as permitted by Section 409A of the Code and the regulations or other guidance issued thereunder), the Participant shall receive from the Company in exchange therefor in the discretion of the Committee, and subject to the terms of the Award Agreement:

(i) cash in an amount equal to the excess (if any) of the Fair Market Value (as of the date of the exercise, or if provided in the Award Agreement, conversion, of the SAR) per share of Common Stock over the SAR Price per share specified in such SAR, multiplied by the total number of shares of Common Stock of the SAR being surrendered;

(ii) that number of shares of Common Stock having an aggregate Fair Market Value (as of the date of the exercise, or if provided in the Award Agreement, conversion, of the SAR) equal to the amount of cash otherwise payable to the Participant, with a cash settlement to be made for any fractional share interests; or

(iii) the Company may settle such obligation in part with shares of Common Stock and in part with cash.

The distribution of any cash or Common Stock pursuant to the foregoing sentence shall be made at such time as set forth in the Award Agreement.

8.5 Disqualifying Disposition of Incentive Stock Option. If shares of Common Stock acquired upon exercise of an Incentive Stock Option are disposed of by a Participant prior to the expiration of either two (2) years from the Date of Grant of such Stock Option or one (1) year from the transfer of shares of Common Stock to the Participant pursuant to the exercise of such Stock Option, or in any

other disqualifying disposition within the meaning of Section 422 of the Code, such Participant shall notify the Company in writing of the date and terms of such disposition. A disqualifying disposition by a Participant shall not affect the status of any other Stock Option granted under the Plan as an Incentive Stock Option within the meaning of Section 422 of the Code.

**ARTICLE 9
AMENDMENT OR DISCONTINUANCE**

Subject to the limitations set forth in this *Article 9*, the Board may at any time and from time to time, without the consent of the Participants, alter, amend, revise, suspend, or discontinue the Plan in whole or in part; provided, however, that no amendment for which stockholder approval is required either (i) by any securities exchange or inter-dealer quotation system on which the Common Stock is listed or traded or (ii) in order for the Plan and Incentives awarded under the Plan to continue to comply with Sections 162(m), 421, and 422 of the Code, including any successors to such Sections; shall be effective unless such amendment shall be approved by the requisite vote of the stockholders of the Company entitled to vote thereon. Any such amendment shall, to the extent deemed necessary or advisable by the Committee, be applicable to any outstanding Incentives theretofore granted under the Plan, notwithstanding any contrary provisions contained in any Award Agreement. In the event of any such amendment to the Plan, the holder of any Incentive outstanding under the Plan shall, upon request of the Committee and as a condition to the exercisability thereof, execute a conforming amendment in the form prescribed by the Committee to any Award Agreement relating thereto. Notwithstanding anything contained in this Plan to the contrary, unless required by law, no action contemplated or permitted by this *Article 9* shall adversely affect any rights of Participants or obligations of the Company to Participants with respect to any Incentive theretofore granted under the Plan without the consent of the affected Participant.

**ARTICLE 10
TERM**

The Plan shall be effective from the date that this Plan is approved by the Board. Unless sooner terminated by action of the Board, the Plan will terminate on May 19, 2015, but Incentives granted before that date will continue to be effective in accordance with their terms and conditions.

**ARTICLE 11
CAPITAL ADJUSTMENTS**

In the event that the Committee shall determine that any dividend or other distribution (whether in the form of cash, Common Stock, other securities, or other property), recapitalization, stock split, reverse stock split, rights offering, reorganization, merger, consolidation, split-up, spin-off, split-off, combination, subdivision, repurchase, or exchange of Common Stock or other securities of the Company, issuance of warrants or other rights to purchase Common Stock or other securities of the Company, or other similar corporate transaction or event affects the Common Stock such that an adjustment is determined by the Committee to be appropriate to prevent the dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of the (i) the number of shares and type of Common Stock (or the securities or property) which thereafter may be made the subject of Awards, (ii) the number of shares and type of Common Stock (or other securities or property) subject to outstanding Awards, (iii) the number of shares and type of Common Stock (or other securities or property) specified as the annual per-participant limitation under *Section 5.1* of the Plan, (iv) the Option Price of each outstanding Award, (v) the amount, if any, the Company pays for forfeited shares of Common Stock in accordance with *Section 6.4* of the Plan, and (vi) the number of or SAR Price of shares of Common Stock then subject to outstanding SARs previously granted and unexercised under

the Plan to the end that the same proportion of the Company's issued and outstanding shares of Common Stock in each instance shall remain subject to exercise at the same aggregate SAR Price; provided however, that the number of shares of Common Stock (or other securities or property) subject to any Award shall always be a whole number. In lieu of the foregoing, if deemed appropriate, the Committee may make provision for a cash payment to the holder of an outstanding Award. Notwithstanding the foregoing, no such adjustment or cash payment shall be made or authorized to the extent that such adjustment or cash payment would cause the Plan or any Stock Option to violate Section 422 of the Code. Such adjustments shall be made in accordance with the rules of any securities exchange, stock market, or stock quotation system to which the Company is subject.

Upon the occurrence of any such adjustment or cash payment, the Company shall provide notice to each affected Participant of its computation of such adjustment or cash payment which shall be conclusive and shall be binding upon each such Participant.

ARTICLE 12 RECAPITALIZATION, MERGER AND CONSOLIDATION

12.1 No Effect on Company's Authority. The existence of this Plan and Incentives granted hereunder shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations, or other changes in the Company's capital structure and its business, or any Change in Control, or any merger or consolidation of the Company, or any issuance of bonds, debentures, preferred or preference stocks ranking prior to or otherwise affecting the Common Stock or the rights thereof (or any rights, options, or warrants to purchase same), or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

12.2 Conversion of Incentives Where Company Survives. Subject to any required action by the stockholders and except as otherwise provided by *Section 12.4* of the Plan or as may be required to comply with Section 409A of the Code and the regulations or other guidance issued thereunder, if the Company shall be the surviving or resulting corporation in any merger, consolidation or share exchange, any Incentive granted hereunder shall pertain to and apply to the securities or rights (including cash, property, or assets) to which a holder of the number of shares of Common Stock subject to the Incentive would have been entitled.

12.3 Exchange or Cancellation of Incentives Where Company Does Not Survive. Except as otherwise provided by *Section 12.4* of the Plan or as may be required to comply with Section 409A of the Code and the regulations or other guidance issued thereunder, in the event of any merger, consolidation or share exchange pursuant to which the Company is not the surviving or resulting corporation, there shall be substituted for each share of Common Stock subject to the unexercised portions of outstanding Incentives, that number of shares of each class of stock or other securities or that amount of cash, property, or assets of the surviving, resulting or consolidated company which were distributed or distributable to the stockholders of the Company in respect to each share of Common Stock held by them, such outstanding Incentives to be thereafter exercisable for such stock, securities, cash, or property in accordance with their terms.

12.4 Cancellation of Incentives. Notwithstanding the provisions of *Sections 12.2 and 12.3* of the Plan, and except as may be required to comply with Section 409A of the Code and the regulations or other guidance issued thereunder, all Incentives granted hereunder may be canceled by the Company, in its sole discretion, as of the effective date of any Change in Control, merger, consolidation or share exchange, or any issuance of bonds, debentures, preferred or preference stocks ranking prior to or otherwise affecting the Common Stock or the rights thereof (or any rights, options, or warrants to

purchase same), or of any proposed sale of all or substantially all of the assets of the Company, or of any dissolution or liquidation of the Company, by either:

- (a) giving notice to each holder thereof or his personal representative of its intention to cancel those Incentives for which the issuance of shares of Common Stock involved payment by the Participant for such shares and, permitting the purchase during the thirty (30) day period next preceding such effective date of any or all of the shares of Common Stock subject to such outstanding Incentives, including in the Board's discretion some or all of the shares as to which such Incentives would not otherwise be vested and exercisable; or
- (b) in the case of Incentives that are either (i) settled only in shares of Common Stock, or (ii) at the election of the Participant, settled in shares of Common Stock, paying the holder thereof an amount equal to a reasonable estimate of the difference between the net amount per share payable in such transaction or as a result of such transaction, and the price per share of such Incentive to be paid by the Participant (hereinafter the "*Spread*"), multiplied by the number of shares subject to the Incentive. In cases where the shares constitute, or would after exercise, constitute Restricted Stock, the Company, in its discretion may include some or all of those shares in the calculation of the amount payable hereunder. In estimating the Spread, appropriate adjustments to give effect to the existence of the Incentives shall be made, such as deeming the Incentives to have been exercised, with the Company receiving the exercise price payable thereunder, and treating the shares receivable upon exercise of the Incentives as being outstanding in determining the net amount per share. In cases where the proposed transaction consists of the acquisition of assets of the Company, the net amount per share shall be calculated on the basis of the net amount receivable with respect to shares of Common Stock upon a distribution and liquidation by the Company after giving effect to expenses and charges, including but not limited to taxes, payable by the Company before such liquidation could be completed.
- (c) An Award that by its terms would be fully vested or exercisable upon a Change in Control will be considered vested or exercisable for purposes of *Section 12.4(a)* of the Plan.

ARTICLE 13 LIQUIDATION OR DISSOLUTION

Subject to *Section 12.4* of the Plan, in case the Company shall, at any time while any Incentive under this Plan shall be in force and remain unexpired, (i) sell all or substantially all of its property, or (ii) dissolve, liquidate, or wind up its affairs, then each Participant shall be entitled to receive, in lieu of each share of Common Stock of the Company which such Participant would have been entitled to receive under the Incentive, the same kind and amount of any securities or assets as may be issuable, distributable, or payable upon any such sale, dissolution, liquidation, or winding up with respect to each share of Common Stock of the Company. If the Company shall, at any time prior to the expiration of any Incentive, make any partial distribution of its assets, in the nature of a partial liquidation, whether payable in cash or in kind (but excluding the distribution of a cash dividend payable out of earned surplus and designated as such) and an adjustment is determined by the Committee to be appropriate to prevent the dilution of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall, in such manner as it may deem equitable, make such adjustment in accordance with the provisions of *Article 11* of the Plan.

ARTICLE 14 INCENTIVES IN SUBSTITUTION FOR INCENTIVES GRANTED BY OTHER ENTITIES

Incentives may be granted under the Plan from time to time in substitution for similar instruments held by employees, consultants or directors of a corporation, partnership, or limited liability company

who become or are about to become Employees, Consultants or Outside Directors of the Company or any Subsidiary as a result of a merger or consolidation of the employing corporation with the Company, the acquisition by the Company of equity of the employing entity, or any other similar transaction pursuant to which the Company becomes the successor employer. The terms and conditions of the substitute Incentives so granted may vary from the terms and conditions set forth in this Plan to such extent as the Committee at the time of grant may deem appropriate to conform, in whole or in part, to the provisions of the Incentives in substitution for which they are granted.

ARTICLE 15 MISCELLANEOUS PROVISIONS

15.1 Investment Intent. The Company may require that there be presented to and filed with it by any Participant under the Plan, such evidence as it may deem necessary to establish that the Incentives granted or the shares of Common Stock to be purchased or transferred are being acquired for investment and not with a view to their distribution.

15.2 No Right to Continued Employment. Neither the Plan nor any Incentive granted under the Plan shall confer upon any Participant any right with respect to continuance of employment by the Company or any Subsidiary.

15.3 Indemnification of Board and Committee. No member of the Board or the Committee, nor any officer or Employee of the Company acting on behalf of the Board or the Committee, shall be personally liable for any action, determination, or interpretation taken or made in good faith with respect to the Plan, and all members of the Board and the Committee, each officer of the Company, and each Employee of the Company acting on behalf of the Board or the Committee shall, to the extent permitted by law, be fully indemnified and protected by the Company in respect of any such action, determination, or interpretation.

15.4 Effect of the Plan. Neither the adoption of this Plan nor any action of the Board or the Committee shall be deemed to give any person any right to be granted an Award or any other rights except as may be evidenced by an Award Agreement, or any amendment thereto, duly authorized by the Committee and executed on behalf of the Company, and then only to the extent and upon the terms and conditions expressly set forth therein.

15.5 Compliance With Other Laws and Regulations. Notwithstanding anything contained herein to the contrary, the Company shall not be required to sell or issue shares of Common Stock under any Incentive if the issuance thereof would constitute a violation by the Participant or the Company of any provisions of any law or regulation of any governmental authority or any national securities exchange or inter-dealer quotation system or other forum in which shares of Common Stock are quoted or traded (including without limitation Section 16 of the 1934 Act and Section 162(m) of the Code); and, as a condition of any sale or issuance of shares of Common Stock under an Incentive, the Committee may require such agreements or undertakings, if any, as the Committee may deem necessary or advisable to assure compliance with any such law or regulation. The Plan, the grant and exercise of Incentives hereunder, and the obligation of the Company to sell and deliver shares of Common Stock, shall be subject to all applicable federal and state laws, rules and regulations and to such approvals by any government or regulatory agency as may be required.

15.6 Tax Requirements. The Company or, if applicable, any Subsidiary (for purposes of this *Section 15.6*, the term "*Company*" shall be deemed to include any applicable Subsidiary), shall have the right to deduct from all amounts paid in cash or other form in connection with the Plan, any Federal, state, local, or other taxes required by law to be withheld in connection with an Award granted under this Plan. The Company may, in its sole discretion, also require the Participant receiving shares of Common Stock issued under the Plan to pay the Company the amount of any taxes that the Company is required to withhold in connection with the Participant's income arising with respect to the Award.

Such payments shall be required to be made when requested by Company and may be required to be made prior to the delivery of any certificate representing shares of Common Stock. Such payment may be made (i) by the delivery of cash to the Company in an amount that equals or exceeds (to avoid the issuance of fractional shares under (iii) below) the required tax withholding obligations of the Company; (ii) if the Company, in its sole discretion, so consents in writing, the actual delivery by the exercising Participant to the Company of shares of Common Stock that the Participant has not acquired from the Company within six (6) months prior to the date of exercise, which shares so delivered have an aggregate Fair Market Value that equals or exceeds (to avoid the issuance of fractional shares under (iii) below) the required tax withholding payment; (iii) if the Company, in its sole discretion, so consents in writing, the Company's withholding of a number of shares to be delivered upon the exercise of the Stock Option, which shares so withheld have an aggregate fair market value that equals (but does not exceed) the required tax withholding payment; or (iv) any combination of (i), (ii), or (iii). The Company may, in its sole discretion, withhold any such taxes from any other cash remuneration otherwise paid by the Company to the Participant. The Committee may in the Award Agreement impose any additional tax requirements or provisions that the Committee deems necessary or desirable.

15.7 Assignability. Incentive Stock Options may not be transferred, assigned, pledged, hypothecated or otherwise conveyed or encumbered other than by will or the laws of descent and distribution and may be exercised during the lifetime of the Participant only by the Participant or the Participant's legally authorized representative, and each Award Agreement in respect of an Incentive Stock Option shall so provide. The designation by a Participant of a beneficiary will not constitute a transfer of the Stock Option. The Committee may waive or modify any limitation contained in the preceding sentences of this *Section 15.7* that is not required for compliance with Section 422 of the Code.

Except as otherwise provided herein, Nonqualified Stock Options and SARs may not be transferred, assigned, pledged, hypothecated or otherwise conveyed or encumbered other than by will or the laws of descent and distribution. The Committee may, in its discretion, authorize all or a portion of a Nonqualified Stock Option or SAR to be granted to a Participant on terms which permit transfer by such Participant to (i) the spouse (or former spouse), children or grandchildren of the Participant ("**Immediate Family Members**"), (ii) a trust or trusts for the exclusive benefit of such Immediate Family Members, (iii) a partnership in which the only partners are (1) such Immediate Family Members and/or (2) entities which are controlled by Immediate Family Members, (iv) an entity exempt from federal income tax pursuant to Section 501(c)(3) of the Code or any successor provision, or (v) a split interest trust or pooled income fund described in Section 2522(c)(2) of the Code or any successor provision, *provided that* (x) there shall be no consideration for any such transfer, (y) the Award Agreement pursuant to which such Nonqualified Stock Option or SAR is granted must be approved by the Committee and must expressly provide for transferability in a manner consistent with this *Section 15.7*, and (z) subsequent transfers of transferred Nonqualified Stock Options or SARs shall be prohibited except those by will or the laws of descent and distribution.

Following any transfer, any such Nonqualified Stock Option and SAR shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer, provided that for purposes of *Articles 8, 9, 11, 13 and 15* of the Plan the term "Participant" shall be deemed to include the transferee. The events of Termination of Service shall continue to be applied with respect to the original Participant, following which the Nonqualified Stock Options and SARs shall be exercisable or convertible by the transferee only to the extent and for the periods specified in the Award Agreement. The Committee and the Company shall have no obligation to inform any transferee of a Nonqualified Stock Option or SAR of any expiration, termination, lapse or acceleration of such Stock Option or SAR. The Company shall have no obligation to register with any federal or state securities commission or agency any Common Stock issuable or issued under a Nonqualified Stock Option or SAR that has been transferred by a Participant under this *Section 15.7*.

[Table of Contents](#)

15.8 Use of Proceeds. Proceeds from the sale of shares of Common Stock pursuant to Incentives granted under this Plan shall constitute general funds of the Company.

15.9 Legend. Each certificate representing shares of Restricted Stock issued to a Participant shall bear the following legend, or a similar legend deemed by the Company to constitute an appropriate notice of the provisions hereof (any such certificate not having such legend shall be surrendered upon demand by the Company and so endorsed):

On the face of the certificate:

"Transfer of this stock is restricted in accordance with conditions printed on the reverse of this certificate."

On the reverse:

"The shares of stock evidenced by this certificate are subject to and transferable only in accordance with that certain Toreador Resources Corporation 2005 Long-Term Incentive Plan, a copy of which is on file at the principal office of the Company in Dallas, Texas. No transfer or pledge of the shares evidenced hereby may be made except in accordance with and subject to the provisions of said Plan. By acceptance of this certificate, any holder, transferee or pledgee hereof agrees to be bound by all of the provisions of said Plan."

The following legend shall be inserted on a certificate evidencing Common Stock issued under the Plan if the shares were not issued in a transaction registered under the applicable federal and state securities laws:

"Shares of stock represented by this certificate have been acquired by the holder for investment and not for resale, transfer or distribution, have been issued pursuant to exemptions from the registration requirements of applicable state and federal securities laws, and may not be offered for sale, sold or transferred other than pursuant to effective registration under such laws, or in transactions otherwise in compliance with such laws, and upon evidence satisfactory to the Company of compliance with such laws, as to which the Company may rely upon an opinion of counsel satisfactory to the Company."

A copy of this Plan shall be kept on file in the principal office of the Company in Dallas, Texas.

[Table of Contents](#)

IN WITNESS WHEREOF, the Company has caused this instrument to be executed as of May 19, 2005, by its Chief Executive Officer and Secretary pursuant to prior action taken by the Board.

TOREADOR RESOURCES CORPORATION

By: /s/ G. THOMAS GRAVES, III

Name: G. Thomas Graves, III
Title: *President and CEO*

Attest:

/s/ GERRY CARGILE

**AMENDMENT NO. 4
TO THE
TOREADOR RESOURCES CORPORATION
2005 LONG-TERM INCENTIVE PLAN**

TOREADOR RESOURCES CORPORATION, a Delaware corporation (the "Company"), pursuant to the authority granted in Article 9 of the Toreador Resources Corporation 2005 Long-Term Incentive Plan (the "Plan"), hereby amends the Plan as follows, effective as of June 3, 2010 and subject to the approval of the requisite vote of the stockholders of the Company:

1. In the first sentence of Section 5.1 of the Plan, the number "1,750,000" is hereby deleted and replaced with "3,200,000."
2. Except as amended hereby, the Plan, as previously amended, shall remain in full effect.

IN WITNESS WHEREOF, the Plan is amended effective as of the dates set forth above.

TOREADOR RESOURCES CORPORATION

Name:

Title:

B-1

VOTE BY INTERNET - [https://materials.proxyvote.com/ 891050](https://materials.proxyvote.com/891050)

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

TOREADOR RESOURCES
c/o Toreador Holding SAS
9 rue Scribe
75009 Paris, France

Electronic Delivery of Future PROXY MATERIALS

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: KEEP THIS PORTION FOR YOUR RECORDS
DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

	For All	Withhold All	For All Except	To withhold authority to vote for any individual nominee(s), mark "For All Except" and write the number(s) of thenominee(s) on the line below.	
The Board of Directors recommends that you vote FOR the following:	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	-----	

1. Election of Directors
Nominees

- | | | | | |
|-------------------|---------------------------|------------------|-----------------|----------------------|
| 01 Julien Balkany | 02 Bernard de Combret | 03 Peter J. Hill | 04 Adam Kroloff | 05 Craig M. McKenzie |
| 06 Ian Vann | 07 Herbert Williamson III | | | |

The Board of Directors recommends you vote FOR the following proposal(s):

- | | | | |
|--|-----------------------|-----------------------|-----------------------|
| | For | Against | Abstain |
| 2. Proposal to approve the amendment to our Restated Certificate of Incorporation. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 3. Proposal to approve the amendment to the 2005 Long-term Incentive Plan. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

NOTE: In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting or any adjournments or postponements thereof.

The undersigned hereby revokes any proxy or proxies previously given to represent or vote such common stock and hereby ratifies and confirms all actions that said proxy, his substitutes, or any of them, may lawfully take in accordance with the terms hereof.

	Yes	No
Please indicate if you plan to attend this meeting	<input type="radio"/>	<input type="radio"/>

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full

corporate or partnership name, by authorized officer.

--	--

Signature [PLEASE SIGN WITHIN BOX]

Date

--	--

Signature (Joint Owners)

Date

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting: The Notice & Proxy Statement, 10K Wrap is/are available at <https://materials.proxyvote.com/891050>.

TOREADOR RESOURCES CORPORATION
c/o Toreador Holding SAS
9 rue Scribe
75009 Paris, France

PROXY SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF THE COMPANY
FOR THE ANNUAL MEETING ON JUNE 3, 2010

The undersigned hereby constitutes and appoints Craig M. McKenzie and Marc Sengès, and each of them, his true and lawful agents and proxies with full power of substitution in each, to represent and to vote, as designated on this proxy card, all of the shares of common stock of Toreador Resources Corporation held of record by the undersigned on April 7, 2010, at the Annual Meeting of Stockholders to be held at the W New York - Times Square, Studios 2 and 3, Fifth Floor, 1567 Broadway, New York, New York, 10036, on Thursday, June 3, 2010, and at any adjournments or postponements thereof, on all matters coming before said meeting, and especially to vote on the items of business specified on the reverse side, as more fully described in the notice of the meeting dated May 3, 2010 and the proxy statement accompanying such notice.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED HEREIN. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED (I) FOR ALL THE NOMINEES FOR DIRECTOR, (II) FOR THE APPROVAL OF THE AMENDMENT TO OUR RESTATED CERTIFICATE OF INCORPORATION, (III) FOR THE APPROVAL OF THE AMENDMENT TO OUR 2005 LONGTERM INCENTIVE PLAN, AND (IV) IN THE DISCRETION OF THE PROXY, ON ANY OTHER BUSINESS THAT PROPERLY COMES BEFORE THE MEETING.

YOU ARE ENCOURAGED TO SPECIFY YOUR CHOICES BY MARKING THE APPROPRIATE BOX (SEE REVERSE) BUT YOU NEED NOT MARK ANY BOXES IF YOU WISH TO VOTE IN ACORDANCE WITH THE BOARD OF DIRECTORS' RECOMMENDATIONS. THE PROXIES CANNOT VOTE THESE SHARES UNLESS YOU SIGN AND RETURN THIS CARD.

Continued and to be signed on reverse side

EXHIBIT IV

**RESTATED CERTIFICATE OF INCORPORATION OF TOREADOR AND CERTIFICATE
OF AMENDMENT TO THE RESTATED CERTIFICATE OF INCORPORATION OF
TOREADOR**

Delaware

PAGE 1

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THAT "TOREADOR RESOURCES CORPORATION" IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE NOT HAVING BEEN CANCELLED OR DISSOLVED SO FAR AS THE RECORDS OF THIS OFFICE SHOW AND IS DULY AUTHORIZED TO TRANSACT BUSINESS.

THE FOLLOWING DOCUMENTS HAVE BEEN FILED:

CERTIFICATE OF INCORPORATION, FILED THE SIXTEENTH DAY OF JULY, A.D. 1951, AT 9 O'CLOCK A.M.

CERTIFICATE OF AMENDMENT, FILED THE FOURTEENTH DAY OF JANUARY, A.D. 1958, AT 9 O'CLOCK A.M.

CERTIFICATE OF AMENDMENT, FILED THE THIRD DAY OF SEPTEMBER, A.D. 1958, AT 9 O'CLOCK A.M.

CERTIFICATE OF CHANGE OF REGISTERED AGENT, FILED THE TWENTY-FOURTH DAY OF APRIL, A.D. 1959, AT 10 O'CLOCK A.M.

CERTIFICATE OF AMENDMENT, FILED THE SECOND DAY OF JANUARY, A.D. 1964, AT 10 O'CLOCK A.M.

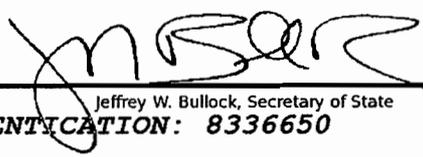
CERTIFICATE OF AMENDMENT, FILED THE SIXTEENTH DAY OF MARCH, A.D. 1981, AT 10 O'CLOCK A.M.

0448603 8310

101065210



You may verify this certificate online
at corp.delaware.gov/authver.shtml


Jeffrey W. Bullock, Secretary of State
AUTHENTICATION: 8336650

DATE: 11-08-10

Delaware

PAGE 2

The First State

CERTIFICATE OF AMENDMENT, FILED THE FOURTH DAY OF JUNE, A.D. 1987, AT 10 O'CLOCK A.M.

CERTIFICATE OF AMENDMENT, FILED THE THIRD DAY OF JULY, A.D. 1990, AT 10 O'CLOCK A.M.

CERTIFICATE OF AMENDMENT, FILED THE THIRTEENTH DAY OF AUGUST, A.D. 1992, AT 9 O'CLOCK A.M.

CERTIFICATE OF DESIGNATION, FILED THE FOURTH DAY OF APRIL, A.D. 1995, AT 1 O'CLOCK P.M.

CERTIFICATE OF RENEWAL, FILED THE THIRTEENTH DAY OF NOVEMBER, A.D. 1997, AT 9 O'CLOCK A.M.

CERTIFICATE OF DESIGNATION, FILED THE EIGHTH DAY OF DECEMBER, A.D. 1998, AT 6 O'CLOCK P.M.

CERTIFICATE OF RENEWAL, FILED THE FIFTEENTH DAY OF APRIL, A.D. 1999, AT 4:30 O'CLOCK P.M.

CERTIFICATE OF AMENDMENT, FILED THE TWENTY-FIRST DAY OF MAY, A.D. 1999, AT 4:30 O'CLOCK P.M.

CERTIFICATE OF OWNERSHIP, CHANGING ITS NAME FROM "TOREADOR ROYALTY CORPORATION" TO "TOREADOR RESOURCES CORPORATION", FILED THE FIFTH DAY OF JUNE, A.D. 2000, AT 9:01 O'CLOCK A.M.

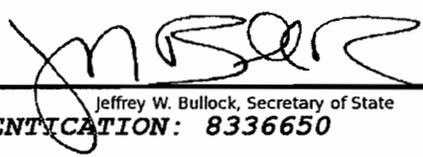
CERTIFICATE OF AMENDMENT, FILED THE FIRST DAY OF FEBRUARY,

0448603 8310

101065210



You may verify this certificate online
at corp.delaware.gov/authver.shtml


Jeffrey W. Bullock, Secretary of State
AUTHENTICATION: 8336650

DATE: 11-08-10

Delaware

PAGE 3

The First State

A.D. 2001, AT 9 O'CLOCK A.M.

RESTATED CERTIFICATE, FILED THE THIRTIETH DAY OF MAY, A.D.
2002, AT 9 O'CLOCK A.M.

CERTIFICATE OF DESIGNATION, FILED THE THIRTIETH DAY OF
OCTOBER, A.D. 2002, AT 2 O'CLOCK P.M.

CERTIFICATE OF DESIGNATION, FILED THE THIRTY-FIRST DAY OF
JANUARY, A.D. 2005, AT 6:02 O'CLOCK P.M.

RESTATED CERTIFICATE, FILED THE TWENTY-EIGHTH DAY OF MARCH,
A.D. 2005, AT 2:31 O'CLOCK P.M.

CERTIFICATE OF MERGER, FILED THE SIXTH DAY OF FEBRUARY, A.D.
2007, AT 3 O'CLOCK P.M.

CERTIFICATE OF DESIGNATION, FILED THE TWENTIETH DAY OF
NOVEMBER, A.D. 2008, AT 5:29 O'CLOCK P.M.

CERTIFICATE OF AMENDMENT, FILED THE SEVENTH DAY OF JUNE,
A.D. 2010, AT 11:48 O'CLOCK A.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE AFORESAID
CERTIFICATES ARE THE ONLY CERTIFICATES ON RECORD OF THE
AFORESAID CORPORATION, "TOREADOR RESOURCES CORPORATION".

AND I DO HEREBY FURTHER CERTIFY THAT THE FRANCHISE TAXES
HAVE BEEN PAID TO DATE.

0448603 8310

101065210




Jeffrey W. Bullock, Secretary of State
AUTHENTICATION: 8336650

DATE: 11-08-10

You may verify this certificate online
at corp.delaware.gov/authver.shtml

Delaware

PAGE 4

The First State

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL REPORTS HAVE
BEEN FILED TO DATE.



0448603 8310

101065210

You may verify this certificate online
at corp.delaware.gov/authver.shtml



Jeffrey W. Bullock, Secretary of State
AUTHENTICATION: 8336650
DATE: 11-08-10

Delaware

PAGE 1

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED ARE TRUE AND CORRECT COPIES OF ALL DOCUMENTS FILED FROM AND INCLUDING THE RESTATED CERTIFICATE OR A MERGER WITH A RESTATED CERTIFICATE ATTACHED OF "TOREADOR RESOURCES CORPORATION" AS RECEIVED AND FILED IN THIS OFFICE.

THE FOLLOWING DOCUMENTS HAVE BEEN CERTIFIED:

RESTATED CERTIFICATE, FILED THE TWENTY-EIGHTH DAY OF MARCH, A.D. 2005, AT 2:31 O'CLOCK P.M.

CERTIFICATE OF MERGER, FILED THE SIXTH DAY OF FEBRUARY, A.D. 2007, AT 3 O'CLOCK P.M.

CERTIFICATE OF DESIGNATION, FILED THE TWENTIETH DAY OF NOVEMBER, A.D. 2008, AT 5:29 O'CLOCK P.M.

CERTIFICATE OF AMENDMENT, FILED THE SEVENTH DAY OF JUNE, A.D. 2010, AT 11:48 O'CLOCK A.M.

0448603 8100X

101065210



You may verify this certificate online
at corp.delaware.gov/authver.shtml


Jeffrey W. Bullock, Secretary of State
AUTHENTICATION: 8336651

DATE: 11-08-10

**RESTATED
CERTIFICATE OF INCORPORATION
OF
TOREADOR RESOURCES CORPORATION**

(Originally incorporated on July 16, 1951 under the name Toreador Royalty Corporation)

FIRST: The name of the Corporation is Toreador Resources Corporation.

SECOND: The address of the registered office of the Corporation in the State of Delaware is 1209 Orange Street, Wilmington, County of New Castle, Delaware 19801. The name of its registered agent at such address is The Corporation Trust Company.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the Delaware General Corporation Law ("DGCL"). The Corporation is to have perpetual existence.

FOURTH:

Section 1. The total number of shares of all classes of stock which the Corporation shall have authority to issue is 34,000,000, consisting of (1) 4,000,000 shares of Preferred Stock, par value \$1.00 per share ("Preferred Stock"), and (2) 30,000,000 shares of Common Stock, par value \$.15625 per share ("Common Stock").

Section 2. The Board of Directors is authorized, subject to any limitations prescribed by law, to provide for the issuance of shares of Preferred Stock in series, and by filing a certificate pursuant to the applicable law of the State of Delaware, to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences, and rights of the shares of each such series and any qualifications, limitations or restrictions thereof.

All shares of any one series of Preferred Stock shall be identical in all respects with all other shares of such series, except that shares of any one series issued at different times may differ as to the dates from which dividends thereon shall be cumulative.

Pursuant to the authority conferred by this Article FOURTH, the following series of Preferred Stock has been designated, such series consisting of such number of shares, with such voting powers and with such designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof as are stated and expressed in the exhibit with respect to such series attached hereto as specified below and incorporated herein by reference:

Exhibit A – Series A-1 Convertible Preferred Stock

Section 3. Each holder of Common Stock shall be entitled to one vote for each share of Common Stock held of record on all matters on which stockholders generally are entitled to vote. Subject to the provisions of law and the rights of the holders of any class or series of stock

having a preference as to dividends over the Common Stock then outstanding, dividends may be paid on the Common Stock at such times and in such amounts as the Board of Directors shall determine. Upon the dissolution, liquidation or winding up of the Corporation, after any preferential amounts to be distributed to the holders of any class or series of stock having a preference over the Common Stock then outstanding have been distributed or set apart for payment, the holders of the Common Stock shall be entitled to receive all the remaining assets of the Corporation available for distribution to its stockholders ratably in proportion to the number of shares held by them, respectively.

FIFTH: The number of directors constituting the Board of Directors shall be fixed by, or in the manner provided in, the bylaws of the Corporation, provided that such number shall be no less than one (plus such number of directors as may be elected from time to time pursuant to the terms of any series of Preferred Stock that may be issued and outstanding).

SIXTH: All the powers of the Corporation, insofar as the same may be lawfully vested by this Certificate of Incorporation in the Board of Directors, are hereby conferred upon the Board of Directors. In furtherance and not in limitation of that power, the Board of Directors shall have the power to make, adopt, alter, amend, and repeal from time to time the bylaws of the Corporation and to make from time to time new bylaws of the Corporation.

SEVENTH: No director of the Corporation shall be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL, or (iv) for any transaction from which the director derived an improper personal benefit. If the DGCL hereafter is amended to authorize the further elimination or limitation of the liability of directors, then the liability of a director of the Corporation, in addition to the limitation on personal liability provided herein, shall be limited to the fullest extent permitted by the amended DGCL. Any repeal or modification of this Article SEVENTH by the stockholders of the Corporation shall be prospective only and shall not adversely affect any limitation of the personal liability of a director of the Corporation existing at the time of such repeal or modification.

EIGHTH: The Corporation shall indemnify any person who was, is, or is threatened to be made a party to a proceeding (as hereinafter defined) by reason of the fact that he or she (i) is or was a director or officer of the Corporation or (ii) is or was serving at the request of the Corporation as a director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan, or other enterprise, to the fullest extent permitted under the DGCL, as the same exists or may hereafter be amended; provided, however, that except as provided in this Article EIGHTH with respect to proceedings to enforce rights to indemnification, the Corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation.

Such rights shall be a contract right and as such shall run to the benefit of any director or officer who is elected and accepts the position of director or officer of the Corporation or elects to continue to serve as a director or officer of the Corporation while this Article EIGHTH is in effect.

Any repeal or amendment of this Article EIGHTH shall be prospective only and shall not limit the rights of any such director or officer or the obligations of the Corporation with respect to any claim arising from or related to the services of such director or officer in any of the foregoing capacities prior to any such repeal or amendment to this Article EIGHTH. Such right shall include the right to be paid by the Corporation expenses incurred in defending any such proceeding in advance of its final disposition to the maximum extent permitted under the DGCL.

If a claim for indemnification hereunder is not paid in full by the Corporation within sixty (60) days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim, and if successful in whole or in part, the claimant shall also be entitled to be paid the expenses of prosecuting such claim. It shall be a defense to any such action that such indemnification or advancement of costs of defense are not permitted under the DGCL, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including the Board of Directors or any Committee thereof, independent legal counsel, or stockholders) to have made its determination prior to the commencement of such action that indemnification of, or advancement of costs of defense to, the claimant is permissible in the circumstances nor an actual determination by the Corporation (including the Board of Directors or any Committee thereof, independent legal counsel, or stockholders) that such indemnification or advancement is not permissible shall be a defense to the action or create a presumption that such indemnification by the Corporation is not permissible.

In the event of the death of any person having rights of indemnification under the foregoing provisions, such right shall inure to the benefit of his or her heirs, executors, administrators, and personal representatives. The rights conferred above shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, bylaw, resolution of stockholders or directors, agreement, or otherwise.

The Corporation may additionally indemnify any employee or agent of the Corporation to the fullest extent permitted by law.

As used herein, the term "proceeding" means any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, arbitrative, or investigative, any appeal in such an action, suit, or proceeding, and any inquiry or investigation that could lead to such an action, suit, or proceeding.

* * * * *

IN WITNESS WHEREOF, this Restated Certificate of Incorporation, which restates and integrates but does not further amend the provisions of the Amended and Restated Certificate of Incorporation of this Corporation, as amended or supplemented to date, and there being no discrepancy between those provisions and the provisions of this Restated Certificate of Incorporation, and which has been duly adopted in accordance with Section 245 of the Delaware General Corporation Law, has been executed by its duly authorized officer this 28th day of March, 2005.

Toreador Resources Corporation

By:



Name: G. Thomas Graves III
Title: President and CEO

EXHIBIT A

SERIES A-1 CONVERTIBLE PREFERRED STOCK

of

TOREADOR RESOURCES CORPORATION

1. DESIGNATION AND AMOUNT.

The designation of this series, which consists of 160,000 shares (each such share being referred to herein as a "Preferred Share" and all such shares being collectively referred to as the "Preferred Shares") of Preferred Stock, is the Series A-1 Convertible Preferred Stock (the "Series A-1 Preferred Stock") and the face amount shall be Twenty-Five Dollars (\$25.00) per share (the "Stated Value"). The Preferred Shares will be issued pursuant to the provisions of a Securities Purchase Agreement by and among the Corporation and the purchasers named therein (the "Securities Purchase Agreement").

2. DIVIDENDS.

(a) Dividend Rate; Payments. The holders (each, a "Holder" and collectively, the "Holders") of Preferred Shares shall be entitled to receive, to the extent permitted by applicable law, (i) in preference to the payment of any dividend on any class or series of Junior Securities (as defined below) and (ii) *pari passu* to the payment of any dividend on any class or series of Parity Securities (as defined below), cumulative dividends ("Dividends") on each Preferred Share in an amount equal to, on an annualized basis, the Stated Value of such Preferred Share times nine percent (9%). Dividends shall accrue and cumulate on each Preferred Share from the date of the original issuance thereof (the "Purchase Date") through the earlier to occur of (A) the payment thereof in accordance with the terms of this Section 2(a) and (B) the redemption or conversion of such Preferred Share in accordance with the terms hereof. Dividends shall be paid in cash. Accrued Dividends on each outstanding Preferred Share shall be payable in four quarterly installments on the last day of March, June, September and December of each year commencing December 31, 2002 unless earlier due and payable on a Conversion Date (as defined below) or a Redemption Date (as defined below) (each, a "Dividend Payment Date"). If, on any date, Dividends on any outstanding Preferred Shares have not been paid or declared by the Board of Directors in accordance with applicable law and set aside for payment with respect to all Dividend Payment Dates preceding such date, the aggregate amount of such Dividends shall be fully paid or declared and set aside for payment before any distribution, whether by way of dividend or otherwise, shall be declared, paid or set apart with respect to any Junior Securities on or after such date.

(b) Delivery of Dividends. The Corporation shall mail the dividends declared by check to the Holder or its nominee postmarked no later than three (3) Business Days (as defined below) following the applicable Dividend Payment Date.

3. PRIORITY.

(a) Payment upon Dissolution.

(i) Upon the occurrence of (x) any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings in connection therewith, commenced by the Corporation or by its creditors, as such, or relating to its assets or (y) the dissolution or other winding up of the Corporation whether total or partial, whether voluntary or involuntary and whether or not involving insolvency or bankruptcy proceedings, or (z) any assignment for the benefit of creditors or any marshalling of the material assets or material liabilities of the Corporation (each, a "Liquidation Event"), (i) no distribution shall be made to the holders of any shares of Junior Securities (as defined below) unless each Holder shall have received the Liquidation Preference (as defined below) with respect to each Preferred Share then held by such Holder and (ii) each Holder of the Preferred Shares shall receive the Liquidation Preference (as defined below) with respect to each Preferred Share then held by such Holder on a pari passu basis with any liquidation preference to be received by the holders of any Parity Securities. In the event that upon the occurrence of a Liquidation Event the assets available for distribution to the Holders of the Series A-1 Preferred Stock and the holders of all Parity Securities are insufficient to pay (i) the Liquidation Preference (as defined below) with respect to all of the outstanding Preferred Shares and the preferential amounts payable to the Holders and (ii) any liquidation preference with respect to all of the outstanding Parity Securities and the preferential amounts payable to such holders of the Parity Securities, the entire assets of the Corporation shall be distributed ratably among the outstanding Preferred Shares and the outstanding Parity Securities in proportion to the ratio that the preferential amount payable on each such share (which shall be the Liquidation Preference in the case of a Preferred Share and any liquidation preference per share due to any holders of the Parity Securities) bears to the aggregate preferential amount payable on all such Preferred Shares and shares of Parity Securities.

(ii) The "Liquidation Preference" with respect to a Preferred Share shall mean an amount equal to the Stated Value of such Preferred Share (subject to ratable adjustment in the event of any stock split or combination of the Series A-1 Preferred Stock and to equitable adjustment in the event of a reclassification of the Series A-1 Preferred Stock or other similar event) plus any accrued and unpaid Dividends thereon. "Junior Securities" shall mean the Common Stock and all other capital stock of the Corporation, other than the Series A Convertible Preferred Stock or any other shares of Preferred Stock of the Corporation then outstanding that by their terms rank senior to or pari passu with the Series A-1 Preferred Stock as to redemption, the payment of dividends or distribution of assets upon a Liquidation Event or any other liquidation, dissolution or winding up of the Corporation. "Parity Securities" shall mean the Series A Convertible Preferred Stock and any shares of Preferred Stock of the Corporation then outstanding that by their terms rank pari passu with the Series A-1 Preferred Stock as to redemption, the payment of dividends or distribution of assets upon a Liquidation Event or any other liquidation, dissolution or winding up of the Corporation.

4. CONVERSION.

(a) Right to Convert. Each Holder shall have the right to convert, at any time and from time to time from and after the Purchase Date, all or any part of the Preferred Shares held by such Holder, unless previously redeemed, into such number of fully paid and non-assessable shares of Common Stock ("Conversion Shares") as is computed in accordance with the terms hereof (a "Conversion").

(b) Conversion Notice. In order to convert Preferred Shares, a Holder shall send by facsimile transmission, at any time prior to 5:00 p.m., central time, on the date on which such Holder wishes to effect such Conversion (the "Conversion Date"), (i) a notice of conversion (a "Conversion Notice"), in substantially the form of Exhibit A hereto, to the Corporation and to its designated transfer agent for the Common Stock (the "Transfer Agent") stating the number of Preferred Shares to be converted, the applicable Conversion Price (as defined below) and a calculation of the number of shares of Common Stock issuable upon such Conversion and (ii) a copy of the certificate or certificates representing the Preferred Shares being converted. The Holder shall thereafter send the original of the Conversion Notice and of such certificate or certificates to the Transfer Agent. The Corporation shall issue a new certificate for Preferred Shares in the event that less than all of the Preferred Shares represented by a certificate delivered to the Corporation in connection with a Conversion are converted. Except as otherwise provided herein, upon delivery of a Conversion Notice by a Holder in accordance with the terms hereof, such Holder shall, as of the applicable Conversion Date, be deemed for all purposes to be record owner of the Common Stock to which such Conversion Notice relates. In the case of a dispute between the Corporation and a Holder as to the calculation of the Conversion Price or the number of Conversion Shares or Dividend Payment Shares issuable upon a Conversion, the Corporation shall promptly issue to such Holder the number of Conversion Shares and Dividend Payment Shares that are not disputed and shall submit the disputed calculations to the Corporation's independent accountant within three (3) Business Days of receipt of such Holder's Conversion Notice. The Corporation shall cause such accountant to calculate the Conversion Price as provided herein and to notify the Corporation and such Holder of the results in writing no later than three (3) Business Days following the day on which it received the disputed calculations. The Corporation shall deliver the Conversion Shares and Dividend Payment Shares, if any, owed to a Holder pursuant to such accountant's calculations on or before the close of business on the third (3rd) Business Day following the Corporation's receipt of notice from such accountant of the results of its calculations. Such accountant's calculation shall be deemed conclusive absent manifest error. The fees of any such accountant shall be borne by the party whose calculations were most at variance with those of such accountant.

(c) Number of Conversion Shares: Conversion Price. The number of Conversion Shares to be delivered by the Corporation pursuant to a Conversion shall be determined by dividing the aggregate Stated Value of the Preferred Shares to be converted by the Conversion Price (as defined herein) in effect on the applicable Conversion Date. Subject to adjustment as provided in Section 5 below, "Conversion Price" shall mean Four Dollars (\$4.00).

(d) Certain Definitions. "Trading Day" shall mean any day on which the Common Stock is traded on the Nasdaq National Market System or on the principal securities exchange or market located in the United States on which the Common Stock is then traded. "Business Day" means any

day on which the New York Stock Exchange and commercial banks located in the City of New York are open for business.

(e) Delivery of Common Stock Upon Conversion. Upon receipt of a Conversion Notice from a Holder pursuant to paragraph 4(b) above, the Corporation shall, no later than the close of business on (A) the later to occur of (i) the third (3rd) Business Day following the Conversion Date set forth in such Conversion Notice and (ii) the first Business Day following delivery of the original certificates, duly endorsed, representing the Preferred Shares being converted pursuant thereto and (B) with respect to Conversion Shares which are disputed as described in paragraph 4(b) above, and required to be delivered by the Corporation pursuant to the accountant's calculations described therein, the date for delivery thereof specified in such paragraph 4(b) (the "Delivery Date"), issue and deliver or cause to be delivered to such Holder the number of Conversion Shares as shall be determined as provided herein. The Corporation shall effect delivery of Conversion Shares by delivering to the Holder or its nominee physical certificates representing such Conversion Shares, no later than the close of business on such Delivery Date. If any Conversion would create a fractional Conversion Share, such fractional Conversion Share shall be disregarded and, at the Corporation's sole discretion, either the number of Conversion Shares issuable upon such Conversion, in the aggregate, shall be the next higher number of Conversion Shares or the Corporation shall pay cash in an amount calculated by multiplying the amount of the fractional share times the Conversion Price for such Conversion.

5. ADJUSTMENTS TO CONVERSION PRICE.

(a) Adjustment to Conversion Price Due to Stock Split, Stock Dividend, Etc. If, prior to the Conversion of all of the Preferred Shares, (A) the number of outstanding shares of Common Stock is increased by a stock split, a stock dividend on the Common Stock, a reclassification of the Common Stock, the distribution to holders of Common Stock as a class of rights or warrants entitling them to subscribe for or purchase Common Stock at less than the then current market price thereof (based upon the subscription or exercise price of such rights or warrants at the time of the issuance thereof) or other similar event, the Conversion Price shall be proportionately reduced, or (B) the number of outstanding shares of Common Stock is decreased by a reverse stock split, combination or reclassification of shares or other similar event, the Conversion Price shall be proportionately increased. In such event, the Corporation shall notify the Transfer Agent of such change on or before the effective date thereof.

(b) Adjustment Due to Merger, Consolidation, Etc. If, prior to the Conversion of all of the Preferred Shares, there shall be any merger, consolidation, business combination, tender offer, exchange of shares, recapitalization, reorganization, redemption or other similar event, as a result of which shares of Common Stock shall be exchanged for or changed into the same or a different number of shares of the same or another class or classes of stock or securities of the Corporation or another entity (an "Exchange Transaction"), then such Holder shall (A) upon the consummation of such Exchange Transaction, have the right to receive, with respect to any shares of Common Stock then held by such Holder, or which such Holder is then entitled to receive pursuant to a Conversion Notice previously delivered by such Holder, (and without regard to whether such shares contain a restrictive legend or are freely-tradeable) the same amount and type of consideration (including without limitation, stock, securities and/or other assets) and on the same terms as a holder of shares

of Common Stock would be entitled to receive in connection with the consummation of such Exchange Transaction (the "Exchange Consideration"), and (B) upon the Conversion of Preferred Shares occurring subsequent to the consummation of such Exchange Transaction, the Exchange Consideration which such Holder would have been entitled to receive in connection with such Exchange Transaction had such shares been converted immediately prior to such Exchange Transaction, and in any such case appropriate provisions shall be made with respect to the rights and interests of such Holder to the end that the provisions hereof (including, without limitation, provisions for the adjustment of the Conversion Price and of the number of shares issuable upon a Conversion) shall thereafter be applicable as nearly as may be practicable in relation to any securities thereafter deliverable upon the Conversion of such Preferred Shares. The Corporation shall not effect any Exchange Transaction unless (i) it first gives to each Holder twenty (20) days prior written notice of such Exchange Transaction (an "Exchange Notice"), and makes a public announcement of such event at the same time that it gives such notice and (ii) the resulting successor or acquiring entity (if not the Corporation) assumes by written instrument the obligations of the Corporation hereunder, including the terms of this subparagraph 5(b), and under the Securities Purchase Agreement and the Registration Rights Agreement described in the Securities Purchase Agreement (the "Registration Rights Agreement").

(c) Distribution of Assets. If the Corporation shall declare or make any distribution of cash, evidences of indebtedness or other securities or assets (other than cash dividends or distributions payable out of earned surplus or net profits for the current or the immediately preceding year), or any rights to acquire any of the foregoing, to holders of Common Stock as a partial liquidating dividend, by way of return of capital or otherwise, including any dividend or distribution in shares of capital stock of a subsidiary of the Corporation (collectively, a "Distribution"), then, upon a Conversion by a Holder occurring after the record date for determining stockholders entitled to such Distribution, the Conversion Price for Preferred Shares not converted prior to the record date of a Distribution shall be reduced to a price determined by decreasing the Conversion Price in effect immediately prior to the record date of the Distribution by an amount equal to the fair market value of the assets so distributed with respect to each share of Common Stock, such fair market value to be determined by an investment banking firm selected by the Corporation.

(d) No Fractional Shares. If any adjustment under this Section would create a fractional share of Common Stock or a right to acquire a fractional share of Common Stock, such fractional share shall be disregarded and, at the Corporation's sole discretion, either the number of shares of Common Stock issuable upon Conversion shall be the next higher number of shares or the Corporation shall pay in cash an amount calculated by multiplying the amount of the fractional share times the Conversion Price for such Conversion.

6. OPTIONAL REDEMPTION BY CORPORATION.

(a) Optional Redemption. Any time on or after November 1, 2007, the Corporation shall have the right to redeem, in whole or in part, Preferred Shares outstanding at the Optional Redemption Price (as defined below) (an "Optional Redemption"), to the extent permitted by applicable law and so long as (A) the Corporation shall have sufficient cash available on the Optional Redemption Date to effect such Optional Redemption and (B) the Corporation shall have delivered to each Holder at least fifteen (15) Trading Days' prior written notice (an "Optional Redemption Notice") specifying the date on which such Optional Redemption is to be effected (the "Optional Redemption Date") and the amount of the Optional Redemption Price payable to such Holder. If the Corporation should elect to redeem less than all of the Preferred Shares outstanding, the Corporation shall select those Preferred Shares to be redeemed by lot. Nothing contained herein shall limit a Holder's right to convert its Preferred Shares at any time prior to the Optional Redemption Date.

(b) Optional Redemption Price. In the event of an Optional Redemption on or after November 1, 2007, the Optional Redemption Price to be paid to a Holder shall be the Liquidation Preference of the Preferred Shares then held by such Holder multiplied by (i) 1.05 if the Optional Redemption Date is on or after November 1, 2007 but before November 1, 2008, (iv) 1.04 if the Optional Redemption Date is on or after November 1, 2008 but before November 1, 2009, (iii) 1.03 if the Optional Redemption Date is on or after November 1, 2009 but before November 1, 2010, (iv) 1.02 if the Optional Redemption Date is on or after November 1, 2010 but before November 1, 2011, (v) 1.01 if the Optional Redemption Date is on or after November 1, 2011 but before November 1, 2012, or (vi) 1.00 if the Optional Redemption Date is on or after November 1, 2012, plus in all cases, accrued and unpaid Dividends through and including the Optional Redemption Date.

(c) Payment of Optional Redemption Price. Upon the redemption of a Preferred Share, payment of the Optional Redemption Price, which shall be in the form of a Corporation check, to the Holder thereof will be effected simultaneously with the return of such share by such Holder to the Corporation. To the extent the Corporation shall redeem less than all of the Preferred Shares outstanding, the Corporation shall also deliver certificates evidencing the unredeemed Preferred Shares in addition to the Optional Redemption Price.

7. MISCELLANEOUS.

(a) Transfer of Preferred Shares. A Holder may sell or transfer all or any portion of the Preferred Shares to any person or entity as long as such sale or transfer is the subject of an effective registration statement under the Securities Act or is exempt from registration thereunder and otherwise is made in accordance with the terms of the Securities Purchase Agreement. From and after the date of such sale or transfer, the transferee thereof shall be deemed to be a Holder. Upon any such sale or transfer, the Corporation shall, promptly following the return of the certificate or certificates representing the Preferred Shares that are the subject of such sale or transfer, issue and deliver to such transferee a new certificate in the name of such transferee.

(b) Notices. Except as otherwise provided herein, any notice, demand or request required or permitted to be given pursuant to the terms hereof, the form or delivery of which notice, demand or request is not otherwise specified herein, shall be in writing and shall be deemed given (i) when delivered personally or by verifiable facsimile transmission on or before 5:00 p.m., central time, on a Business Day or, if such day is not a Business Day, on the next succeeding Business Day, (ii) on the next Business Day after timely delivery to an overnight courier and (iii) on the third Business Day after deposit in the U.S. mail (certified or registered mail, return receipt requested, postage prepaid), addressed to the parties as follows:

If to the Corporation:

Toreador Resources Corporation
4809 Cole Avenue, Suite 108
Dallas, Texas 75205

Attn.: Chief Executive Officer
Fax: 214-559-3933

and if to any Holder, to such address for such Holder as shall be designated by such Holder in writing to the Corporation.

(c) Lost or Stolen Certificate. Upon receipt by the Corporation of evidence of the loss, theft, destruction or mutilation of a certificate representing Preferred Shares, and (in the case of loss, theft or destruction) of indemnity or security reasonably satisfactory to the Corporation, and upon surrender and cancellation of such certificate if mutilated, the Corporation shall execute and deliver to the Holder a new certificate identical in all respects to the original certificate.

(d) No Voting Rights. Except as provided by applicable law and paragraph 7(e) below, the Holders of the Preferred Shares shall have no voting rights with respect to the business, management or affairs of the Corporation. The Corporation shall provide each Holder with prior notification of each meeting of stockholders (and copies of proxy statements and other information sent to such stockholders).

(e) Protective Provisions.

(A) So long as shares of Series A-1 Preferred Stock are outstanding, the Corporation shall not, without first obtaining the approval of the Holders of a majority of the then outstanding shares of Series A-1 Preferred Stock:

(i) alter or change the rights, preferences or privileges of the Series A-1 Preferred Stock or any other capital stock of the Corporation so as to affect adversely the Series A-1 Preferred Stock;

(ii) create any new class or series of capital stock having a preference over the Series A-1 Preferred Stock as to redemption, the payment of dividends or distribution of assets upon a Liquidation Event or any other liquidation, dissolution or winding up of the Corporation;

- (iii) increase the authorized number of shares of Preferred Stock;
- (iv) re-issue any shares of Series A-1 Preferred Stock which have been converted in accordance with the terms hereof; or
- (v) declare, pay or make any provision for any cash dividend or distribution with respect to the Common Stock of the Corporation.

(B) If the Corporation fails to pay dividends in respect of four quarterly dividend periods, Holders of a majority of the then outstanding shares of the Series A-1 Preferred Stock would be entitled, acting separately as a class, to elect one person to the Board of Directors of the Corporation. Upon the taking of such action, the maximum authorized number of members of the Board of Directors shall automatically increase by one person so elected, and the vacancy so created shall be filled by the person elected pursuant to this subparagraph (B). A director elected by the holders of Series A-1 Preferred Stock pursuant to this subparagraph (B) shall serve until his successor is duly elected and qualified, until his removal or until his term terminates as provided below. Such a director may be removed without cause at any time by action, and only by such action, of the holders of shares of Series A-1 Preferred Stock. If the office of a director elected pursuant to this subparagraph (B) becomes vacant by reason of death, resignation, retirement, disqualification, removal from office or otherwise, such vacancy may be filled by the action, and only by such action, of the holders of shares of Series A-1 Preferred Stock. At such time as the event of default giving rise to this right to elect a director has been cured, such right shall terminate, the term of any director elected pursuant to this subparagraph (B) shall terminate and the maximum number of authorized members of the Board of Directors shall decrease automatically to the maximum number of authorized members of the Board of Directors in effect immediately before any action was taken pursuant hereto.

EXHIBIT A
NOTICE OF CONVERSION

The undersigned hereby elects to convert shares of Series A-1 Convertible Preferred Stock (the "Preferred Stock"), represented by stock certificate No(s). _____ (the "Preferred Stock Certificates"), into shares of common stock ("Common Stock") of Toreador Resources Corporation (the "Company") according to the terms and conditions of the Certificate of Designation relating to the Preferred Stock (the "Certificate of Designation"), as of the date written below. Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Certificate of Designation.

(check box if shares of Common Stock have been resold) The undersigned represents that the shares of Common Stock to be issued by the Company hereby have been resold or transferred by the undersigned in accordance with the provisions of the prospectus included in the Registration Statement.

Date of Conversion: _____

Number of Shares of
Preferred Stock to be Converted: _____

Applicable Conversion Price: _____

Number of Shares of
Common Stock to be Issued: _____

Amount of Dividend
Accrued through the
Conversion Date: _____

Name of Holder: _____

Address: _____

Signature: _____

Name:

Title:

CERTIFICATE OF OWNERSHIP AND MERGER

of

**MADISON OIL COMPANY,
a Delaware corporation**

with and into

**TOREADOR RESOURCES CORPORATION,
a Delaware corporation**

Pursuant to Title 8, Section 253 of the Delaware General Corporation Law, the undersigned corporation has executed the following Certificate of Ownership and Merger:

FIRST: Toreador Resources Corporation, a Delaware corporation, was originally incorporated on the 16th day of July, 1951, under the name Toreador Royalty Corporation. Toreador Royalty Corporation changed its name to Toreador Resources Corporation pursuant to that certain Certificate of Ownership and Merger merging Toreador Resources Corporation into Toreador Royalty Corporation filed with the Delaware Secretary of State on the 5th day of June, 2000.

SECOND: Toreador Resources Corporation owns all of the outstanding shares of the common stock of Madison Oil Company, a Delaware corporation originally incorporated on the 12th day of July, 2000. Madison Oil Company amended its Certificate of Incorporation pursuant to that certain Amended and Restated Certificate of Incorporation of Madison Oil Company filed with the Secretary of State of the State of Delaware on the 31st day of December, 2001.

THIRD: Madison Oil Company hereby merges with and into Toreador Resources Corporation, with Toreador Resources Corporation surviving the merger, in accordance with the following resolutions duly adopted by unanimous written consent of the board of directors of Toreador Resources Corporation on the 8th day of August, 2006:

RESOLVED, that Madison Oil Company shall merge with and into Toreador Resources Corporation, with Toreador Resources Corporation surviving the merger; and

FURTHER RESOLVED, that Toreador Resources Corporation shall assume all of the obligations of Madison Oil Company; and

FURTHER RESOLVED, that the merger shall be effective upon the date of filing the Certificate of Ownership and Merger with the Secretary of State of the State of Delaware; and

FURTHER RESOLVED, that the officers of Toreador Resources Corporation be, and the same hereby are, authorized, empowered and directed to

execute and deliver all documents, instruments and other agreements, to waive any and all conditions and to do all things necessary and helpful to carry out the purposes of the foregoing resolutions; and all acts and deeds of the officers and agents of Toreador Resources Corporation that are consistent with the purpose and intent of the above resolutions be, and the same hereby are, in all respects, ratified, approved, and adopted as the acts and deeds of Toreador Resources Corporation.

*Remainder of Page Intentionally Left Blank.
Signature Page(s) to Follow.*

Dated: August 8, 2006

TOREADOR RESOURCES CORPORATION,
a Delaware corporation

By: *Douglas W Weir*
Name: Douglas W Weir
Title: Senior VP & CEO

Douglas W Weir

Senior VP & CEO

**CERTIFICATE OF
DESIGNATION, PREFERENCES AND RIGHTS OF
SERIES B PREFERRED STOCK
of
TOREADOR RESOURCES CORPORATION**

Pursuant to Section 151 of the General Corporation Law of the State of Delaware

I, Shirley Anderson, Secretary of Toreador Resources Corporation (the "*Corporation*"), a corporation organized and existing under the General Corporation Law of the State of Delaware (the "*GCL*"), in accordance with the provisions of Section 103 of the GCL, DO HEREBY CERTIFY

That pursuant to the authority conferred upon the Board of Directors (the "*Board*") by the Restated Certificate of Incorporation of the Corporation, as amended, the said Board on November 6, 2008 adopted the following resolutions creating a series of 60,000 shares of Preferred Stock, par value \$1.00 per share, designated as Series B Preferred Stock:

RESOLVED, that, pursuant to the authority vested in the Board in accordance with the provisions of its Restated Certificate of Incorporation, as amended, the Board does hereby create, authorize and provide for the issuance upon the exercise of the Corporation's Preferred Stock Purchase Rights, of a series of Preferred Stock of the Corporation, and does hereby fix and state that the designations, amounts, powers, preferences and relative and other special rights and the qualifications, limitations or restrictions thereof are as follows:

Series B Preferred Stock

Section 1. Designation and Amount. The shares of such series shall be designated as Series B Preferred Stock and the number of shares constituting such series shall be 60,000.

Section 2. Dividends and Distributions.

(A) Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock ranking prior and superior to the shares of Series B Preferred Stock with respect to dividends, the holders of shares of Series B Preferred Stock in preference to the holders of Common Stock, par value \$0.15625 per share (the "*Common Stock*"), and of any other stock of the Corporation ranking junior to the Series B Preferred Stock with respect to dividends shall be entitled to receive, when, as and if declared by the Board out of funds legally available for that purpose, quarterly dividends payable in cash on the 1st day of March, June, September and December (each such date being referred to herein as a "*Quarterly Dividend Payment Date*"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series B Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$0.001 or (b) subject to the provision for adjustment hereinafter set forth, one thousand (1,000) times the aggregate per share amount of all cash dividends, and one thousand (1,000) times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock, since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series B Preferred Stock. In the event the Corporation shall at any time after November 20, 2008 (the "*Rights Declaration Date*") (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into

a smaller number of shares, then in each such case the amount to which holders of shares of Series B Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series B Preferred Stock as provided in paragraph (A) above immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$0.001 per share on the Series B Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series B Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series B Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series B Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series B Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board may fix a record date for the determination of holders of shares of Series B Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than sixty (60) days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series B Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series B Preferred Stock shall entitle the holder thereof to one thousand (1,000) votes which each share of Common Stock is entitled to vote. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the number of votes per share to which holders of shares of Series B Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein or by law, the holders of shares of Series B Preferred Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation. Except as otherwise provided herein or by law, the holders of the shares of Series B Preferred Stock shall not be entitled to vote as a separate class on any matters submitted to a vote of the stockholders.

(C) Except as set forth herein, holders of Series B Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote

with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series B Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series B Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series B Preferred Stock;

(ii) declare or pay dividends on, or make any other distributions on, any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series B Preferred Stock, except dividends paid ratably on the Series B Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series B Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series B Preferred Stock; or

(iv) purchase or otherwise acquire for consideration any shares of Series B Preferred Stock, or any shares of stock ranking on a parity with the Series B Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board) to all holders of such shares upon such terms as the Board, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series B Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board, subject to the conditions and restrictions on issuance set forth herein.

Section 6. Liquidation, Dissolution or Winding Up. Upon any liquidation (voluntary or otherwise), dissolution or winding up of the Corporation, no distribution shall be made (1) to the holders of Common Stock or of shares of any other stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series B Preferred Stock unless, prior thereto, the holders of shares of Series B Preferred Stock shall have received an amount equal to the greater of (i) \$1,000 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not

declared, to the date of such payment and (ii) an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1,000 times the aggregate amount to be distributed per share to holders of shares of Common Stock (the "*Series B Liquidation Preference*") or (2) to the holders of shares of stock ranking on a parity upon liquidation, dissolution or winding up with the Series B Preferred Stock, except distributions made ratably on the Series B Preferred Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the aggregate amount to which holders of shares of Series B Preferred Stock were entitled immediately prior to such event under the proviso in clause (1) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock, securities, cash or any other property, then in any such case the shares of Series B Preferred Stock shall at the same time be similarly exchanged for or changed into an amount per share (subject to the provision for adjustment hereinafter set forth) equal to one thousand (1,000) times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series B Preferred Stock shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. Redemption. The outstanding shares of Series B Preferred Stock may be redeemed at the option of the Board as a whole, but not in part, at any time, or from time to time, at a cash price per share equal to one hundred five percent (105%) of (i) the product of the Adjustment Number (as such term is hereinafter defined) times the Average Market Value (as such term is hereinafter defined) of the Common Stock, plus (ii) all dividends which on the redemption date have accrued on the shares to be redeemed and have not been paid, or declared and a sum sufficient for the payment thereof set apart, without interest. The "Adjustment Number" is one thousand (1,000) (as appropriately adjusted as set forth in the last sentence of Section 6 to reflect such events as stock splits, stock dividends and recapitalizations with respect to the Common Stock). The "Average Market Value" is the average closing price for each trading day during the thirty (30) day period immediately preceding the date before the redemption date, and the closing price for each trading day shall be the last sale price, regular way, or, in case no such sale takes place on such trading day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the shares of Common Stock are not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the shares of Common Stock are listed or admitted to trading or, if the shares of Common Stock are not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotation System or such other system then in use, or, if on any such date the shares of Common Stock are not quoted by

any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Common Stock selected by the Board. If on any such date no market maker is making a market in the Common Stock, the fair value of such shares on such date as determined in good faith by the Board shall be used.

Section 9. Ranking. The Series B Preferred Stock shall rank (a) senior to all Common Stock and (b) junior to all other series of preferred stock with respect to the payment of dividends and the distribution of assets, unless the terms of any such series shall provide otherwise.

Section 10. Amendment. The Restated Certificate of Incorporation of the Corporation, as amended, shall not be further amended in any manner which would materially alter or change the powers, preferences or special rights of the Series B Preferred Stock so as to affect them adversely without the affirmative vote of the holders of a majority or more of the outstanding shares of Series B Preferred Stock, voting separately as a class.

Section 11. Fractional Shares. At the Corporation's sole discretion, Series B Preferred Stock may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series B Preferred Stock.

IN WITNESS WHEREOF, I have executed and subscribed this Certificate of Designation and do affirm the foregoing as true as of November 20, 2008.

TORADOR RESOURCES CORPORATION

By: Shirley Anderson
Shirley Anderson, Secretary

CERTIFICATE OF AMENDMENT
OF
RESTATED CERTIFICATE OF INCORPORATION
OF
TOREADOR RESOURCES CORPORATION

The undersigned, being a duly appointed officer of Toreador Resources Corporation (the "Corporation"), a corporation organized and existing under and by virtue of the Delaware General Corporation Law (the "DGCL"), for the purpose of amending the Corporation's Restated Certificate of Incorporation filed pursuant to Section 102 of the DGCL, hereby certifies, pursuant to Sections 242 and 103 of the DGCL, as follows:

FIRST: That at a meeting of the Board of Directors of Toreador Resources Corporation resolutions were duly adopted setting forth a proposed amendment of the Restated Certificate of Incorporation, declaring said amendment to be advisable and calling a meeting of the stockholders of said corporation for consideration thereof.

SECOND: That the Restated Certificate of Incorporation is hereby amended by deleting all of the text of Section 1 of Article FOURTH thereof in its entirety and inserting in lieu thereof the following:

The total number of shares of all classes of stock which the Corporation shall have authority to issue is 54,000,000 shares, consisting of (1) 4,000,000 shares of Preferred Stock, par value \$1.00 per share ("Preferred Stock"), and (2) 50,000,000 shares of Common Stock, par value \$0.15625 per share ("Common Stock").

THIRD: The amendment effected hereby was duly adopted pursuant to a resolution of the Board of Directors and approved by the stockholders of the Corporation in accordance with the provisions of Sections 242 of the DGCL.

IN WITNESS WHEREOF, this Certificate of Amendment has been signed this 3rd day of June 2010 by the undersigned who affirms the statements contained herein as true under penalties of perjury.

TOREADOR RESOURCES CORPORATION



Name: Craig M. McKenzie
Title: President and Chief Executive Officer

EXHIBIT V

FOURTH AMENDED AND RESTATED BYLAWS OF TOREADOR

FOURTH AMENDED AND RESTATED

BYLAWS

OF

TOREADOR RESOURCES CORPORATION

A Delaware Corporation

TABLE OF CONTENTS

	Page
ARTICLE ONE: OFFICES	1
1.1 Registered Office and Agent	1
1.2 Other Offices	1
ARTICLE TWO: MEETINGS OF STOCKHOLDERS	1
2.1 Annual Meeting	1
2.2 Special Meeting	1
2.3 Place of Meetings	2
2.4 Notice	2
2.5 Notice of Stockholder Business; Nomination of Director Candidates	2
2.6 Voting List	3
2.7 Quorum	4
2.8 Required Vote; Withdrawal of Quorum	4
2.9 Method of Voting; Proxies	4
2.10 Record Date	5
2.11 Conduct of Meeting	5
2.12 Inspectors of Election	5
ARTICLE THREE: DIRECTORS	6
3.1 Management	6
3.2 Number; Qualification; Election; Term	6
3.3 Change in Number	6
3.4 Vacancies	6
3.5 Meetings of Directors	6
3.6 First Meeting	7
3.7 Election of Officers	7
3.8 Regular Meetings	7
3.9 Special Meetings	7
3.10 Notice	7
3.11 Quorum; Majority Vote	7
3.12 Procedure	7
3.13 Action Without Meeting	8
3.14 Compensation	8
3.15 Interested Directors, Officers and Stockholders	8
ARTICLE FOUR: EXECUTIVE COMMITTEE	8
4.1 Designation	8
4.2 Authority	9
4.3 Procedure	9
4.4 Removal	9
4.5 Responsibility	9

ARTICLE FIVE: OTHER COMMITTEES	9
5.1 Designation	9
5.2 Number; Qualification; Term	9
5.3 Authority	9
5.4 Committee Changes	9
5.5 Alternate Members of Committees	9
5.6 Regular Meetings	10
5.7 Special Meetings	10
5.8 Quorum; Majority Vote	10
5.9 Minutes	10
5.10 Compensation	10
5.11 Responsibility	10
5.12 Removal	10
ARTICLE SIX: NOTICE	11
6.1 Method	11
6.2 Waiver.....	11
ARTICLE SEVEN: OFFICERS	11
7.1 Number; Titles; Term of Office	11
7.2 Removal	11
7.3 Authority	12
7.4 Compensation	12
7.5 Chairman of the Board	12
7.6 Chief Executive Officer	12
7.7 President.....	12
7.8 Chief Operating Officer	12
7.9 Vice Presidents.....	13
7.10 Treasurer	13
7.11 Assistant Treasurers	13
7.12 Secretary.....	13
7.13 Assistant Secretaries	13
ARTICLE EIGHT: CERTIFICATES AND STOCKHOLDERS	14
8.1 Certificates for Shares	14
8.2 Replacement of Lost or Destroyed Certificates	14
8.3 Transfer of Shares	14
8.4 Registered Stockholders.....	15
8.5 Regulations	15
8.6 Legends	15
ARTICLE NINE: INDEMNIFICATION	15
9.1 Right to Indemnification	15
9.2 Right to Advancement of Expenses	15
9.3 Right of Indemnitee to Bring Suit.....	16

9.4	Non-Exclusivity of Rights	16
9.5	Insurance	16
9.6	Indemnification of Employees and Agents of the Corporation.....	17
9.7	Nature of Rights	17
ARTICLE TEN: MISCELLANEOUS PROVISIONS.....		17
10.1	Dividends	17
10.2	Reserves	17
10.3	Books and Records	17
10.4	Reliance upon Books, Reports and Records	17
10.5	Fiscal Year	17
10.6	Seal.....	18
10.7	Resignations	18
10.8	Telephone Meetings.....	18
10.9	Action Without a Meeting	18
10.11	Invalid Provisions	18
10.12	Headings	18
10.13	References	19
10.14	Amendments	19

**FOURTH AMENDED AND RESTATED
BYLAWS
OF
TOREADOR RESOURCES CORPORATION
A Delaware Corporation**

PREAMBLE

These bylaws are subject to, and governed by, the General Corporation Law of the State of Delaware (the "Delaware Corporation Law") and the certificate of incorporation (as amended and/or restated, the "Certificate of Incorporation") of Toreador Resources Corporation, a Delaware corporation (the "Corporation"). In the event of a direct conflict between the provisions of these bylaws and the mandatory provisions of the Delaware Corporation Law or the provisions of the Certificate of Incorporation, such provisions of the Delaware Corporation Law or the Certificate of Incorporation, as the case may be, will be controlling.

ARTICLE ONE: OFFICES

1.1 Registered Office and Agent. The registered office and registered agent of the Corporation shall be as designated from time to time by the appropriate filing by the Corporation in the office of the Secretary of State of the State of Delaware.

1.2 Other Offices. The Corporation may also have offices at such other places, both within and without the State of Delaware, as the Board of Directors may from time to time determine or as the business of the Corporation may require.

ARTICLE TWO: MEETINGS OF STOCKHOLDERS

2.1 Annual Meeting. An annual meeting of stockholders, commencing with the year following the adoption of these bylaws, shall be held on the third Thursday during the month of May, if not a legal holiday, and if a legal holiday, then on the next secular day following, at 10:00 o'clock A.M., or at such other date and time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting, at which time the stockholders shall elect a Board of Directors, and transact such other business as may properly be brought before the meeting.

2.2 Special Meeting. A special meeting of the stockholders may be called by the Board of Directors, by the Chairman of the Board, the Chief Executive Officer, the President, or by any holder or holders of record of at least 25% of the outstanding shares of capital stock of the Corporation then entitled to vote on any matter for which the respective special meeting is being called. A special meeting shall be held on such date and at such time as shall be designated by the person(s) calling the meeting and stated in the notice of the meeting or in a duly executed waiver of notice of such meeting. Only such business shall be transacted at a special meeting as may be stated or indicated in the notice of such meeting given in accordance with these bylaws or in a duly executed waiver of

notice of such meeting. The Board of Directors, the Chief Executive Officer or the President may postpone or reschedule any previously scheduled special meeting.

2.3 Place of Meetings. An annual meeting of stockholders may be held at any place within or without the State of Delaware designated by the Board of Directors. A special meeting of stockholders may be held at any place within or without the State of Delaware designated in the notice of the meeting or a duly executed waiver of notice of such meeting. Meetings of stockholders shall be held at the principal office of the Corporation unless another place is designated for meetings in the manner provided herein.

2.4 Notice. Written or printed notice stating the place, day, and time of each meeting of the stockholders and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than 10 nor more than 60 days before the date of the meeting, either personally or by mail, by or at the direction of the Chairman of the Board, the Secretary, or the officer or person(s) calling the meeting, to each stockholder of record entitled to vote at such meeting. If such notice is to be sent by mail, it shall be directed to such stockholder at his address as it appears on the records of the Corporation, unless he shall have filed with the Secretary of the Corporation a written request that notices to him be mailed to some other address, in which case it shall be directed to him at such other address. Notice of any meeting of stockholders shall not be required to be given to any stockholder who shall attend such meeting in person or by proxy and shall not, at the beginning of such meeting, object to the transaction of any business because the meeting is not lawfully called or convened, or who shall, either before or after the meeting, submit a signed waiver of notice, in person or by proxy.

2.5 Notice of Stockholder Business; Nomination of Director Candidates.

(a) At annual meetings of the stockholders, only such business shall be conducted as shall have been brought before the meetings (i) pursuant to the Corporation's notice of meeting, (ii) by or at the direction of the Board of Directors, or (iii) by any stockholder of the Corporation who is a stockholder of record at the time of giving of notice provided for in this Section 2.5, who shall be entitled to vote at such meeting, and who complies with the notice procedures set forth in this Section 2.5.

(b) Only persons who are nominated in accordance with the procedures set forth in these bylaws shall be eligible to serve as directors. Nominations of persons for election to the Board of Directors may be made at a meeting of stockholders (i) by or at the direction of the Board of Directors or (ii) by any stockholder of the Corporation who is a stockholder of record at the time of giving of notice provided for in this Section 2.5, who shall be entitled to vote for the election of directors at the meeting, and who complies with the notice procedures set forth in this Section 2.5.

(c) A stockholder must give timely, written notice to the Secretary of the Corporation to nominate directors at an annual meeting pursuant to Section 2.5(b) hereof or to propose business to be brought before an annual or special meeting pursuant to clause (iii) of Section 2.5(a) hereof. To be timely in the case of an annual meeting, a stockholder's

notice must be received at the principal executive offices of the Corporation not more than 180 days nor less than 120 days before the first anniversary of the preceding year's annual meeting. To be timely in the case of a special meeting or in the event that the date of the annual meeting is changed by more than 30 days from such anniversary date, a stockholder's notice must be received at the principal executive offices of the Corporation no later than the close of business on the tenth day following the earlier of the day on which notice of the meeting date was mailed or public disclosure of the meeting date was made. For purposes of this Section 2.5(c), "public disclosure" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Securities Exchange Act of 1934. Such stockholder's notice shall set forth (i) with respect to each matter, if any, that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting, (ii) with respect to each person, if any, whom the stockholder proposes to nominate for election as a director, all information relating to such person (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director) that is required under the Securities Exchange Act of 1934, as amended, (iii) the name and address, as they appear on the Corporation's records, of the stockholder proposing such business or nominating such persons (as the case may be), and the name and address of the beneficial owner, if any, on whose behalf the proposal or nomination is made, (iv) the class and number of shares of capital stock of the Corporation that are owned beneficially and of record by such stockholder of record and by the beneficial owner, if any, on whose behalf the proposal or nomination is made, and (v) any material interest or relationship that such stockholder of record and/or the beneficial owner, if any, on whose behalf the proposal or nomination is made may respectively have in such business or with such nominee. At the request of the Board of Directors, any person nominated for election as a director shall furnish to the Secretary of the Corporation the information required to be set forth in a stockholder's notice of nomination which pertains to the nominee.

(d) Notwithstanding anything in these bylaws to the contrary, no business shall be conducted, and no person shall be nominated to serve as a director, at an annual or special meeting of stockholders, except in accordance with the procedures set forth in this Section 2.5. The chairman of the meeting shall, if the facts warrant, determine that business was not properly brought before the meeting, or that a nomination was not made, in accordance with the procedures prescribed by these bylaws and, if he shall so determine, he shall so declare to the meeting, and any such business not properly brought before the meeting shall not be transacted and any defective nomination shall be disregarded. A stockholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth in this Section 2.5.

2.6 Voting List. At least 10 days before each meeting of stockholders, the Secretary or other officer of the Corporation who has charge of the Corporation's stock ledger, either directly or through another officer appointed by him or through a transfer agent appointed by the Board of

Directors, shall prepare a complete list of stockholders entitled to vote thereat, arranged in alphabetical order and showing the address of each stockholder and number of shares of capital stock registered in the name of each stockholder. For a period of 10 days prior to such meeting, such list shall be kept on file at a place within the city where the meeting is to be held, which place shall be specified in the notice of meeting or a duly executed waiver of notice of such meeting or, if not so specified, at the place where the meeting is to be held and shall be open to examination by any stockholder, for any purpose germane to the meeting, during ordinary business hours. Such list shall be produced at such meeting and kept at the meeting at all times during such meeting and may be inspected by any stockholder who is present.

2.7 Quorum. The holders of one-third of the outstanding shares of capital stock entitled to vote on a matter, present in person or by proxy, shall constitute a quorum at any meeting of stockholders, except as otherwise provided by law, the Certificate of Incorporation, or these bylaws. If a quorum shall not be present, in person or by proxy, at any meeting of stockholders, the stockholders entitled to vote thereat who are present, in person or by proxy (or, if no stockholder entitled to vote is present, any officer of the Corporation), may adjourn the meeting from time to time without notice other than announcement at the meeting (unless the Board of Directors, after such adjournment, fixes a new record date for the adjourned meeting), until a quorum shall be present, in person or by proxy. At any adjourned meeting at which a quorum shall be present, in person or by proxy, any business may be transacted which may have been transacted at the original meeting had a quorum been present; provided that, if the adjournment is for more than 30 days or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the adjourned meeting.

2.8 Required Vote; Withdrawal of Quorum. When a quorum is present at any meeting, the vote of the holders of at least a majority of the outstanding shares of capital stock entitled to vote thereat who are present, in person or by proxy, shall decide any question brought before such meeting, unless the question is one on which, by express provision of law, the Certificate of Incorporation, or these bylaws, a different vote is required, in which case such express provision shall govern and control the decision of such question; provided, however, that the vote of the holders of a plurality of the outstanding shares of capital stock entitled to vote in the election of directors who are present, in person or by proxy, shall be required to effect elections of directors. The stockholders present at a duly constituted meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

2.9 Method of Voting; Proxies. Except as otherwise provided in the Certificate of Incorporation or by law, each outstanding share of capital stock, regardless of class, shall be entitled to one vote on each matter submitted to a vote at a meeting of stockholders. Elections of directors need not be by written ballot. At any meeting of stockholders, every stockholder having the right to vote may vote either in person or by a proxy executed in writing by the stockholder or by his duly authorized attorney-in-fact. Each such proxy shall be filed with the Secretary of the Corporation before or at the time of the meeting. No proxy shall be valid after eleven months from the date of its execution, unless otherwise provided in the proxy. If no date is stated in a proxy, such proxy shall be presumed to have been executed on the date of the meeting at which it is to be voted. Each proxy

shall be revocable unless expressly provided therein to be irrevocable and coupled with an interest sufficient in law to support an irrevocable power or unless otherwise made irrevocable by law.

2.10 Record Date. For the purpose of determining stockholders entitled (a) to notice of or to vote at any meeting of stockholders or any adjournment thereof, (b) to receive payment of any dividend or other distribution or allotment of any rights, or (c) to exercise any rights in respect of any change, conversion, or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, for any such determination of stockholders, such date in any case to be not more than 60 days and not less than 10 days prior to such meeting nor more than 60 days prior to any other action. If no record date is fixed, then the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

2.11 Conduct of Meeting. The Chairman of the Board, if such position has been filled, shall preside at all meetings of stockholders, and, if such position has not been filled or if the Chairman of the Board is absent or otherwise unable to act, the Chief Executive Officer shall preside at all meetings of stockholders unless the Chief Executive Officer position has not been filled or the Chief Executive Officer is absent or otherwise unable to act, in which case the President shall preside at all meetings of the stockholders. The Secretary shall keep the records of each meeting of stockholders. In the absence or inability to act of any such person, such person's duties shall be performed by the person given the authority to act for such absent or non-acting person under these bylaws or by resolution adopted by the Board of Directors, or if no person has been given such authority, by some person appointed at the meeting.

2.12 Inspectors of Election. Before any meeting of stockholders, the Board of Directors may appoint any person other than nominees for office to act as inspectors of election at the meeting or its adjournment. If no inspectors of election are so appointed, the presiding person may, and on request of any stockholder or stockholder's proxy shall, appoint inspector(s) of election at the meeting of stockholders. If any person appointed as inspector fails to appear or fails or refuses to act, the presiding person may, upon the request of any stockholder or stockholder's proxy shall, appoint a person to fill such vacancy.

The duties of these inspectors shall be as follows:

- (a) Determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum and then authenticity, validity and effect of proxies;

- (b) Receive votes or ballots;
- (c) Herein determine all challenges and questions in any way arising in connection with the right to vote;
- (d) Count and tabulate all votes;
- (e) Report to the Board of Directors the results based on the information assembled by the inspectors; and
- (f) Do any other acts that be proper to conduct the election or vote with fairness to all stockholders.

ARTICLE THREE: DIRECTORS

3.1 **Management.** The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors.

3.2 **Number; Qualification; Election; Term.** The Board of Directors shall consist of not less than six (6) nor more than fifteen (15) directors. Subject to the preceding sentence, the number of directors which shall constitute the whole Board of Directors shall from time to time be fixed and determined by resolution adopted by the Board of Directors.

3.3 **Change in Number.** No decrease in the number of directors constituting the entire Board of Directors shall have the effect of shortening the term of any incumbent director.

3.4 **Removal; Vacancies.** Any or all directors may be removed for or without cause at any annual or special meeting of stockholders, upon the affirmative vote of the holders of a majority of the outstanding shares of each class of capital stock then entitled to vote in person or by proxy at an election of such director or directors, provided that notice of the intention to act upon such matter shall have been given in the notice calling such meeting. Newly created directorships resulting from any increase in the authorized number of directors and any vacancies occurring in the Board of Directors caused by death, resignation, retirement, disqualification, removal or other termination from office of any directors may be filled by the vote of a majority of the directors then in office, though less than a quorum, or by the affirmative vote, at a special meeting of the stockholders called for the purpose of filling such directorship, of the holders of a majority of the outstanding shares of capital stock then entitled to vote in person or by proxy at such meeting. Each successor director so chosen shall hold office until his respective successor shall have been duly elected and qualified.

3.5 **Meetings of Directors.** The directors may hold their meetings and may have an office and keep the records of the Corporation, except as otherwise provided by law, in such place or places within or without the State of Delaware as the Board of Directors may from time to time determine or as shall be specified in the notice of such meeting or duly executed waiver of notice of such meeting.

3.6 First Meeting. Each newly elected Board of Directors may hold its first meeting for the purpose of organization and the transaction of business without further notice, if a quorum is present, immediately after and at the same place as the annual meeting of stockholders, unless by unanimous consent of the Board of Directors then elected and serving such time or place shall be changed.

3.7 Election of Officers. At the first meeting of the Board of Directors after each annual meeting of stockholders at which a quorum shall be present, the Board of Directors shall elect the officers of the Corporation.

3.8 Regular Meetings. Regular meetings of the Board of Directors shall be held at such times and places as shall be designated from time to time by resolution of the Board of Directors. Notice of such regular meetings shall not be required.

3.9 Special Meetings. Special meetings of the Board of Directors shall be held whenever called by the Chairman of the Board, the Chief Executive Officer, the President, or by written request of a majority of the Board of Directors.

3.10 Notice. The Secretary shall give notice of each special meeting to each director at least four days before the meeting or two days if such notice is delivered by facsimile or electronic transmission. Notice of any such meeting need not be given to any director who, either before or after the meeting, submits a signed waiver of notice or who shall attend such meeting without protesting, prior to or at its commencement, the lack of notice to him. The purpose of any special meeting shall be specified in the notice or waiver of notice of such meeting.

3.11 Quorum; Majority Vote. At all meetings of the Board of Directors, a majority of the directors then in office shall constitute a quorum for the transaction of business. If at any meeting of the Board of Directors there is less than a quorum present, a majority of those present or any director solely present may adjourn the meeting from time to time without further notice. Unless the act of a greater number is required by law, the Certificate of Incorporation, or these bylaws, the act of a majority of the directors present at a meeting at which a quorum is in attendance shall be the act of the Board of Directors. At any time that the Certificate of Incorporation provides that directors elected by the holders of a class or series of stock shall have more or less than one vote per director on any matter, every reference in these bylaws to a majority or other proportion of directors shall refer to a majority or other proportion of the votes of such directors.

3.12 Procedure. At meetings of the Board of Directors, business shall be transacted in such order as from time to time the Board of Directors may determine. The Chairman of the Board, if such position has been filled, and, if such position has not been filled or if the Chairman of the Board is absent or otherwise unable to act, the Chief Executive Officer unless the Chief Executive Officer position has not been filled or the Chief Executive Officer is absent or otherwise unable to act, in which case the President shall preside at all meetings of the Board of Directors. In the absence or inability to act of such persons, a chairman shall be chosen by the Board of Directors from among the directors present. The Secretary of the Corporation shall act as the secretary of each meeting of the Board of Directors unless the Board of Directors appoints another person to act as

secretary of the meeting. The Board of Directors shall keep regular minutes of its proceedings which shall be placed in the minute book of the Corporation.

3.13 Action Without Meeting. Any action required by statute to be taken at a meeting of the Board of Directors, or any action which may be taken at a meeting of the Board of Directors, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all the members of the Board of Directors. Such consent shall have the same force and effect as a unanimous vote at a meeting.

3.14 Compensation. The Board of Directors shall have the authority to fix the compensation, including fees and reimbursement of expenses, paid to directors for attendance at regular or special meetings of the Board of Directors or any committee thereof; provided, that nothing contained herein shall be construed to preclude any director from serving the Corporation in any other capacity or receiving compensation therefor.

3.15 Interested Directors, Officers and Stockholders.

(a) Validity. Any contract or other transaction between the corporation and any of its directors, officers or stockholders (or any corporation or firm in which any of them are directly or indirectly interested) shall be valid for all purposes notwithstanding the presence of such director, officer or stockholder at the meeting authorizing such contract or transaction or his participation in such meeting or authorization.

(b) Disclosure, Approval. The foregoing shall, however, apply only if the interest of each such director, officer or stockholder is known or disclosed:

(i) to the Board of Directors and it nevertheless authorizes or ratifies the contract or transaction by a majority of the directors present, each such interested director to be counted in determining whether a quorum is present but not in calculating the majority necessary to carry the vote; or

(ii) to the stockholders and they nevertheless authorize or ratify the contract or transaction by a majority of the shares present, each such interested person to be counted for quorum and voting purposes.

(c) Non-Exclusive. This provision shall not be construed to invalidate any contract or transaction which would be valid in the absence of this provision.

ARTICLE FOUR: EXECUTIVE COMMITTEE

4.1 Designation. The Board of Directors may, by resolution adopted by a majority of the whole board, designate an executive committee, to consist of two or more of the directors of the corporation.

4.2 Authority. The executive committee, to the extent provided in such resolution, shall have and may exercise all of the authority of the Board of Directors in the management of the business and affairs of the corporation, except where action of the full Board of Directors is required by statute or by the certificate of incorporation, and shall have power to authorize the seal of the corporation to be affixed to all papers which may require it.

4.3 Procedure. The executive committee shall keep regular minutes of its proceedings and report the same to the Board of Directors when required.

4.4 Removal. Any member of the executive committee may be removed by the Board of Directors by the affirmative vote of a majority of the whole board, whenever in its judgment the best interests of the corporation will be served thereby.

4.5 Responsibility. The designation of an executive committee and the delegation of authority to it shall not operate to relieve the Board of Directors, or any member thereof, of any responsibility imposed upon it or him by law.

ARTICLE FIVE: OTHER COMMITTEES

5.1 Designation. The Board of Directors may designate one or more committees.

5.2 Number; Qualification; Term. Each committee shall consist of one or more directors appointed by resolution adopted by a majority of the entire Board of Directors. The number of committee members may be increased or decreased from time to time by resolution adopted by a majority of the entire Board of Directors. Each committee member shall serve as such until the earliest of (i) the expiration of his term as director, (ii) his resignation as a committee member or as a director, or (iii) his removal as a committee member or as a director.

5.3 Authority. Each committee, to the extent expressly provided in the resolution establishing such committee, shall have and may exercise all of the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation except to the extent expressly restricted by law, the Certificate of Incorporation, or these bylaws.

5.4 Committee Changes. The Board of Directors shall have the power at any time to fill vacancies in, to change the membership of, and to discharge any committee.

5.5 Alternate Members of Committees. The Board of Directors may designate one or more directors as alternate members of any committee. Any such alternate member may replace any absent or disqualified member at any meeting of the committee. If no alternate committee members have been so appointed to a committee or each such alternate committee member is absent or disqualified, the member or members of such committee present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

5.6 Regular Meetings. Regular meetings of any committee may be held without notice at such time and place as may be designated from time to time by the committee and communicated to all members thereof.

5.7 Special Meetings. ~~Special meetings of any committee may be held whenever called~~ by any committee member. The committee member calling any special meeting shall cause notice of such special meeting, including therein the time and place of such special meeting, to be given to each committee member at least two days before such special meeting. Neither the business to be transacted at, nor the purpose of, any special meeting of any committee need be specified in the notice or waiver of notice of any special meeting.

5.8 Quorum; Majority Vote. At meetings of any committee, a majority of the number of members designated by the Board of Directors shall constitute a quorum for the transaction of business unless the committee consists of one (1) or two (2) members, in which event one member shall constitute a quorum. If a quorum is not present at a meeting of any committee, a majority of the members present may adjourn the meeting from time to time, without notice other than an announcement at the meeting, until a quorum is present. The act of a majority of the members present at any meeting at which a quorum is in attendance shall be the act of a committee, unless the act of a greater number is required by law, the Certificate of Incorporation, or these bylaws.

5.9 Minutes. Each committee shall cause minutes of its proceedings to be prepared and shall report the same to the Board of Directors upon the request of the Board of Directors. The minutes of the proceedings of each committee shall be delivered to the Secretary of the Corporation for placement in the minute books of the Corporation.

5.10 Compensation. Committee members may, by resolution of the Board of Directors, be allowed a fixed sum and expenses of attendance, if any, for attending any committee meetings or a stated salary.

5.11 Responsibility. The designation of any committee and the delegation of authority to it shall not operate to relieve the Board of Directors or any director of any responsibility imposed upon it or such director by law.

5.12 Removal. Any members of any committee so designated may be removed by the Board of Directors by the affirmative vote of a majority of the whole board, whenever in its judgment the best interests of the corporation will be served thereby.

ARTICLE SIX: NOTICE

6.1 Method. Whenever by statute, the Certificate of Incorporation, or these bylaws, notice is required to be given to any committee member, director, or stockholder and no provision is made as to how such notice shall be given, ~~personal notice shall not be required and any such notice~~ may be given (a) in writing, by mail, postage prepaid, addressed to such committee member, director, or stockholder at his address as it appears on the books or (in the case of a stockholder) the stock transfer records of the Corporation, or (b) by any other method permitted by law (including but not limited to overnight courier service, telegram, telex, facsimile, or electronic transmission). Any notice required or permitted to be given by mail shall be deemed to be delivered and given at the time when the same is deposited in the United States mail as aforesaid. Any notice required or permitted to be given by overnight courier service shall be deemed to be delivered and given at the time delivered to such service with all charges prepaid and addressed as aforesaid. Any notice required or permitted to be given by telegram, telex, or telefax shall be deemed to be delivered and given at the time transmitted with all charges prepaid and addressed as aforesaid.

6.2 Waiver. Whenever any notice is required to be given to any stockholder, director, or committee member of the Corporation by statute, the Certificate of Incorporation, or these bylaws, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be equivalent to the giving of such notice. Attendance of a stockholder, director, or committee member at a meeting shall constitute a waiver of notice of such meeting, except where such person attends for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

ARTICLE SEVEN: OFFICERS

7.1 Number; Titles; Term of Office. The officers of the Corporation shall be a Chief Executive Officer, a President, a Secretary, a Treasurer, and such other officers as the Board of Directors may from time to time elect or appoint, including one or more Vice Presidents (with each Vice President to have such descriptive title, if any, as the Board of Directors shall determine) and a Chief Operating Officer. Each officer shall hold office until his successor shall have been duly elected and shall have qualified, until his death, or until he shall resign or shall have been removed in the manner hereinafter provided. Any two or more offices may be held by the same person. None of the officers need be a stockholder or a director of the Corporation or a resident of the State of Delaware.

7.2 Removal; Vacancies. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interest of the Corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contract rights. Any vacancy occurring in any office of the Corporation (by death, resignation, removal, or otherwise) may be filled by the Board of Directors.

7.3 Authority. Officers shall have such authority and perform such duties in the management of the Corporation as are provided in these bylaws or as may be determined by resolution or resolutions of the Board of Directors not inconsistent with these bylaws.

7.4 Compensation. The compensation, if any, of officers and agents shall be fixed from time to time by the Board of Directors; provided, however, that the Board of Directors may delegate the power to determine the compensation of any non-executive officer and agent (other than the officer to whom such power is delegated) to the Chairman of the Board, the Chief Executive Officer or the President.

7.5 Chairman of the Board. The Board of Directors may from time to time elect from among its members a Chairman of the Board who shall not be an officer of the Corporation. The Chairman of the Board shall preside at all meetings of the stockholders and of the Board of Directors and shall have such additional powers and duties as may be prescribed by these bylaws or by the Board of Directors. The Chairman of the Board shall hold such position until his successor shall have been duly elected and qualified, until his death, or he shall resign or shall have been removed in the manner provided herein.

7.6 Chief Executive Officer. The Chief Executive Officer shall have the general management and control of the Corporation and may sign all certificates for shares of stock for the Corporation. In the absence or inability of the Chairman of the Board to act, the Chief Executive Officer shall exercise all of the powers and discharge all of the duties of the Chairman of the Board. As between the Corporation and third parties, any action taken by the Chief Executive Officer in the performance of the duties of the Chairman of the Board shall be conclusive evidence that the Chairman of the Board is absent or unable to act. The Chief Executive Officer may also hold the position of President.

7.7 President. The President, subject to the supervision of the Chairman of the Board and the Chief Executive Officer, shall have general executive charge, management, and control of the properties of the Corporation in the ordinary course of its business, with all such powers with respect to such properties as may be reasonably incident to such responsibilities. In the absence or inability of the Chief Executive Officer to act, the President shall exercise all of the powers and discharge all of the duties of the Chief Executive Officer. As between the Corporation and third parties, any action taken by the President in the performance of the duties of the Chief Executive Officer shall be conclusive evidence that the Chief Executive Officer is absent or unable to act. The President may sign all certificates for shares of stock of the Corporation. If there is not a Chief Operating Officer, the President shall have general executive charge, management and control of the operations of the Corporation in the ordinary course of its business, with all such powers with respect to such operations as may be reasonable incident to such responsibilities.

7.8 Chief Operating Officer. The Chief Operating Officer, if such officer be elected, shall have general executive charge, management and control of the operations of the Corporation in the ordinary course of its business, with all such powers with respect to such operations as may be reasonably incident to such responsibilities. The Chief Operating Officer shall have the usual

powers and duties incident to the position of Chief Operating Officer of a corporation, subject to the control of the Board of Directors, the Chairman of the Board, the Chief Executive Officer and the President.

7.9 Vice Presidents. Each Vice President shall have such powers and duties as may be assigned to him by the Board of Directors, the Chairman of the Board, the Chief Executive Officer or the President, and (in order of their seniority as determined by the Board of Directors or, in the absence of such determination, as determined by the length of time they have held the office of Vice President) shall exercise the powers of the President during that officer's absence or inability to act. As between the Corporation and third parties, any action taken by a Vice President in the performance of the duties of the President shall be conclusive evidence of the absence or inability to act of the President at the time such action was taken.

7.10 Treasurer. The Treasurer shall have custody of the Corporation's funds and securities, shall keep full and accurate account of receipts and disbursements, shall deposit all monies and valuable effects in the name and to the credit of the Corporation in such depository or depositories as may be designated by the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors, the Chairman of the Board, the Chief Executive Officer or the President.

7.11 Assistant Treasurers. Each Assistant Treasurer shall have such powers and duties as may be assigned to him by the Board of Directors, the Chairman of the Board, the Chief Executive Officer or the President. The Assistant Treasurers (in the order of their seniority as determined by the Board of Directors or, in the absence of such a determination, as determined by the length of time they have held the office of Assistant Treasurer) shall exercise the powers of the Treasurer during that officer's absence or inability to act.

7.12 Secretary. Except as otherwise provided in these bylaws, the Secretary shall keep the minutes of all meetings of the Board of Directors and of the stockholders in books provided for that purpose, and he shall attend to the giving and service of all notices. He may sign with the Chairman of the Board, the Chief Executive Officer or the President, in the name of the Corporation, all contracts of the Corporation and affix the seal, if any, of the Corporation thereto. He may sign with the Chairman of the Board, the Chief Executive Officer or the President all certificates for shares of stock of the Corporation, and he shall have charge of the certificate books, transfer books, and stock papers as the Board of Directors may direct, all of which shall at all reasonable times be open to inspection by any director upon application at the office of the Corporation during business hours. He shall in general perform all duties incident to the office of the Secretary, subject to the control of the Board of Directors, the Chairman of the Board, the Chief Executive Officer and the President.

7.13 Assistant Secretaries. Each Assistant Secretary shall have such powers and duties as may be assigned to him by the Board of Directors, the Chairman of the Board, the Chief Executive Officer or the President. The Assistant Secretaries (in the order of their seniority as determined by the Board of Directors or, in the absence of such a determination, as determined by the length of time they have held the office of Assistant Secretary) shall exercise the powers of the Secretary during that officer's absence or inability to act.

ARTICLE EIGHT: CERTIFICATES AND STOCKHOLDERS

8.1 Certificates for Shares. Shares of stock of the Corporation may be certificated or uncertificated as provided under the Delaware Corporation Law. If shares are certificated, certificates for shares of stock of the Corporation shall be in such form as shall be approved by the Board of Directors. Notwithstanding the foregoing, each holder of uncertificated shares shall be entitled, upon request, to a certificate representing such shares. The certificates shall be signed by the Chairman of the Board, the Chief Executive Officer, the President or a Vice President and also by the Secretary or an Assistant Secretary or by the Treasurer or an Assistant Treasurer. Any and all signatures on the certificate may be a facsimile and may be sealed with the seal of the Corporation or a facsimile thereof. If any officer, transfer agent, or registrar who has signed, or whose facsimile signature has been placed upon, a certificate has ceased to be such officer, transfer agent, or registrar before such certificate is issued, such certificate may be issued by the Corporation with the same effect as if he were such officer, transfer agent, or registrar at the date of issue. The certificates shall be consecutively numbered and shall be entered in the books of the Corporation as they are issued and shall exhibit the holder's name and the number of shares. Except as otherwise provided by law, the rights and obligations of holders of uncertificated shares and the rights and obligations of the holders of certificated shares of the same class and series shall be identical.

8.2 Replacement of Lost or Destroyed Certificates. The Corporation may direct a new certificate or certificates to be issued or may register uncertificated shares in place of a certificate or certificates theretofore issued by the Corporation and alleged to have been lost or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate or certificates representing shares to be lost or destroyed. When authorizing such issue of a new certificate or certificates or the registration of uncertificated shares, the Board of Directors may, in its discretion and as a condition precedent to the issuance or registration thereof, require the owner of such lost or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the Corporation a bond with a surety or sureties satisfactory to the Corporation in such sum as it may direct as indemnity against any claim, or expense resulting from a claim, that may be made against the Corporation with respect to the certificate or certificates alleged to have been lost or destroyed.

8.3 Transfer of Shares. Shares of stock of the Corporation shall be transferable only on the books of the Corporation by the holders thereof in person or by their duly authorized attorneys or legal representatives. If such shares are certificated, upon surrender to the Corporation or the transfer agent of the Corporation of a certificate representing shares duly endorsed or accompanied by proper evidence of succession, assignment, or authority to transfer, the Corporation or its transfer agent shall issue a new certificate or register uncertificated shares to the person entitled thereto, cancel the old certificate, and record the transaction upon its books.

Upon the receipt of proper transfer instructions of uncertificated shares by the holders thereof in person or by their duly authorized attorneys or legal representatives, such uncertificated shares shall be cancelled, issuance of new equivalent certificated or registration of uncertificated

shares shall be made to the stockholder entitled thereto and the transaction shall be recorded on the books of the Corporation.

8.4 Registered Stockholders. The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law.

8.5 Regulations. The Board of Directors shall have the power and authority to make all such rules and regulations as they may deem expedient concerning the issue, transfer, and registration or, if the shares are certificated, the replacement of certificates for shares of stock of the Corporation.

8.6 Legends. The Board of Directors shall have the power and authority to provide that, if the shares are certificated, certificates representing shares of stock bear such legends as the Board of Directors deems appropriate to assure that the Corporation does not become liable for violations of federal or state securities laws or other applicable law.

ARTICLE NINE: INDEMNIFICATION

9.1 Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he is or was a director or an officer of the Corporation or is or was serving at the request of the Corporation as a director, officer or trustee of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (hereinafter an "indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as a director, officer or trustee or in any other capacity while serving as a director, officer or trustee, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith; provided, however, that, except as provided in Section 9.3 with respect to proceedings to enforce rights to indemnification, the Corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation.

9.2 Right to Advancement of Expenses. In addition to the right to indemnification conferred in Section 9.1, an indemnitee shall also have the right to be paid by the Corporation the expenses (including attorney's fees) incurred in defending any such proceeding in advance of its final disposition (hereinafter an "advancement of expenses"); provided, however, that, if the Delaware Corporation Law requires, an advancement of expenses incurred by an indemnitee in his capacity as a

director or officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking (hereinafter an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a "final adjudication") that such indemnitee is not entitled to be indemnified for such expenses under this Section 9.2 or otherwise.

9.3 Right of Indemnitee to Bring Suit. If a claim under Sections 9.1 or 9.2 is not paid in full by the Corporation within sixty (60) days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty (20) days, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) in any suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met any applicable standard for indemnification set forth in the Delaware Corporation Law. Neither the failure of the Corporation (including its directors who are not parties to such action, a committee of such directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct of indemnification set forth in the Delaware Corporation Law, nor an actual determination by the Corporation (including its directors who are not parties to such action, a committee of such directors, independent legal counsel, or its stockholders) that the indemnitee has not met such applicable standard of conduct for indemnification, shall create a presumption that the indemnitee has not met the applicable standard of conduct for indemnification or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Article Nine or otherwise shall be on the Corporation.

9.4 Non-Exclusivity of Rights. The rights to indemnification and to the advancement of expenses conferred in this Article Nine shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, the Certificate of Incorporation, bylaws, agreement, vote of stockholders or directors or otherwise.

9.5 Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware Corporation Law.

9.6 Indemnification of Employees and Agents of the Corporation. The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses to any employee or agent of the Corporation to the fullest extent of the provisions of this Article Nine with respect to the indemnification and advancement of expenses of directors and officers of the Corporation.

9.7 Nature of Rights. The rights conferred upon indemnitees in this Article Nine shall be contract rights and such rights shall continue as to an indemnitee who has ceased to be a director, officer or trustee and shall inure to the benefit of the indemnitee's heirs, executors and administrators. Any amendment, alteration or repeal of this Article Nine that adversely affects any right of an indemnitee or its successors shall be prospective only and shall not limit or eliminate any such right with respect to any proceeding involving any occurrence or alleged occurrence of any action or omission to act that took place prior to such amendment or repeal.

ARTICLE TEN: MISCELLANEOUS PROVISIONS

10.1 Dividends. Subject to provisions of law and the Certificate of Incorporation, dividends may be declared by the Board of Directors at any regular or special meeting and may be paid in cash, in property, or in shares of stock of the Corporation. Such declaration and payment shall be at the discretion of the Board of Directors.

10.2 Reserves. There may be created by the Board of Directors out of funds of the Corporation legally available therefor such reserve or reserves as the directors from time to time, in their discretion, consider proper to provide for contingencies, to equalize dividends, or to repair or maintain any property of the Corporation, or for such other purpose as the Board of Directors shall consider beneficial to the Corporation, and the Board of Directors may modify or abolish any such reserve in the manner in which it was created.

10.3 Books and Records. The Corporation shall keep correct and complete books and records of account, shall keep minutes of the proceedings of its stockholders and Board of Directors and shall keep at its registered office or principal place of business, or at the office of its transfer agent or registrar, a record of its stockholders, giving the names and addresses of all stockholders and the number and class of the shares held by each.

10.4 Reliance upon Books, Reports and Records. Each director, each member of any committee designated by the Board of Directors, and each officer of the Corporation shall, in the performance of his duties, be fully protected in relying in good faith upon the books of account or other records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of its officers or employees, or committees of the Board of Directors so designated, or by any other person as to matters which such director or committee member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

10.5 Fiscal Year. The fiscal year of the Corporation shall be fixed by the Board of Directors; provided, that if such fiscal year is not fixed by the Board of Directors and the selection of

the fiscal year is not expressly deferred by the Board of Directors, the fiscal year shall be the calendar year.

10.6 Seal. The seal of the Corporation shall be such as from time to time may be approved by the Board of Directors.

10.7 Resignations. Any director, committee member, or officer may resign by so stating at any meeting of the Board of Directors or by giving notice to the Board of Directors, the Chairman of the Board, the Chief Executive Officer, the President, or the Secretary. Such resignation shall take effect at the time specified therein or, if no time is specified therein, immediately upon its receipt. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

10.8 Telephone Meetings. Members of the Board of Directors and members of a committee of the Board of Directors may participate in and hold a meeting of such Board of Directors or committee by means of a conference telephone or similar communications equipment by means of which persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section shall constitute presence in person at such meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

10.9 Action Without a Meeting. Unless otherwise restricted by the Certificate of Incorporation or by these bylaws, any action required or permitted to be taken at a meeting of the Board of Directors, or of any committee of the Board of Directors, may be taken without a meeting if a consent or consents in writing, setting forth the action so taken, shall be signed by all the directors or all the committee members, as the case may be, entitled to vote with respect to the subject matter thereof, and such consent shall have the same force and effect as a vote of such directors or committee members, as the case may be, and may be stated as such in any certificate or document filed with the Secretary of State of the State of Delaware or in any certificate delivered to any person. Such consent or consents shall be filed with the minutes of proceedings of the Board of Directors or committee, as the case may be.

10.10 Time Periods. In applying any provision of these Bylaws which requires that an act be done or not be done a specified number of days prior to an event or that an act be done during a period of a specified number of days prior to an event, calendar days shall be used, the day of the doing of the act shall be excluded, and the day of the event shall be included.

10.11 Invalid Provisions. If any part of these bylaws shall be held invalid or inoperative for any reason, the remaining parts, so far as it is possible and reasonable, shall remain valid and operative.

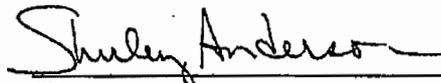
10.12 Headings. The headings used in these bylaws have been inserted for administrative convenience only and do not constitute matter to be construed in interpretation.

10.13 References. Whenever herein the singular number is used, the same shall include the plural where appropriate, and words of any gender should include the other gender where appropriate.

10.14 Amendments. The Board of Directors may, upon the affirmative vote of a majority of the directors then serving, make, adopt, alter, amend, and repeal from time to time these bylaws and make from time to time new bylaws of the Corporation (subject to the right of the stockholders entitled to vote thereon to adopt, alter, amend, and repeal bylaws made by the Board of Directors or to make new bylaws).

* * * * *

The undersigned Secretary of the Corporation hereby certifies that the foregoing bylaws were adopted at a duly called meeting of the directors of the Corporation on the 8th day of November, 2007.

A handwritten signature in cursive script that reads "Shirley Anderson". The signature is written in black ink and is positioned above a horizontal line.

Shirley Anderson, Secretary

EXHIBIT VI

**CONSOLIDATED FINANCIAL STATEMENTS OF TOREADOR AS OF DECEMBER 31,
2008 AND DECEMBER 31, 2007**

Table of Contents

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>Page</u>
<u>Report of Independent Registered Public Accounting Firm</u>	<u>F-2</u>
<u>Financial Statements</u>	
<u>Consolidated Balance Sheets as of December 31, 2008 and 2007</u>	<u>F-4</u>
<u>Consolidated Statements of Operations and Comprehensive Income (Loss) for each of the three years in the period ended December 31, 2008</u>	<u>F-5</u>
<u>Consolidated Statements of Changes in Stockholders' Equity for each of the three years in the period ended December 31, 2008</u>	<u>F-6</u>
<u>Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2008</u>	<u>F-7</u>
<u>Notes to Consolidated Financial Statements</u>	<u>F-8</u>

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Toreador Resources Corporation

We have audited Toreador Resources Corporation (a Delaware Corporation) and subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Annual Report on Internal Control Over Financial Reporting". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control — Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Toreador Resources Corporation and subsidiaries as of December 31, 2008 and 2007, and the related statements of operations and comprehensive income (loss), changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2008 and our report dated March 16, 2009 expressed an unqualified opinion.

Houston, Texas
March 16, 2009

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Toreador Resources Corporation

We have audited the accompanying consolidated balance sheets of Toreador Resources Corporation (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2008 and 2007, and the related consolidated statements of operations and comprehensive income (loss), changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Toreador Resources Corporation and subsidiaries as of December 31, 2008 and 2007; and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 16, 2009 expressed an unqualified opinion.

Houston, Texas
March 16, 2009

TOREADOR RESOURCES CORPORATION

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2008	2007
	(in thousands, except share and per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 19,457	\$ 12,721
Accounts receivable, net of allowance of \$220 and \$120	5,450	12,340
Oil and natural gas properties, net, held for sale	55,000	—
Other	5,280	3,912
Total current assets	<u>85,187</u>	<u>28,973</u>
Oil and natural gas properties, net, using successful efforts method of accounting	109,711	271,951
Investments	200	500
Restricted cash	2,922	10,818
Goodwill	3,838	4,942
Other assets	5,298	5,927
	<u>\$ 207,156</u>	<u>\$ 323,111</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 16,929	\$ 18,280
Deferred lease payable	93	183
Fair value of oil and gas derivatives	—	192
Current portion of long-term debt	30,000	—
Income taxes payable	4,217	674
Total current liabilities	<u>51,239</u>	<u>19,329</u>
Accrued liabilities	501	522
Deferred lease payable	665	478
Long-term debt, net of current portion	—	30,000
Asset retirement obligations	8,065	7,339
Deferred income tax liabilities	13,851	15,368
Convertible subordinated notes	80,275	86,250
Total liabilities	<u>154,596</u>	<u>159,286</u>
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Common stock, \$0.15625 par value, 30,000,000 shares authorized; 20,984,360 and 20,566,470 shares issued	3,279	3,214
Additional paid-in capital	166,484	163,955
Accumulated deficit	(151,169)	(42,564)
Accumulated other comprehensive income	36,500	41,754
Treasury stock at cost, 721,027 shares	(2,534)	(2,534)
Total stockholders' equity	<u>52,560</u>	<u>163,825</u>
	<u>\$ 207,156</u>	<u>\$ 323,111</u>

See accompanying notes to the consolidated financial statements.

TOREADOR RESOURCES CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

	Year ended December 31,		
	2008	2007	2006
	(in thousands, except per share data)		
Revenue:			
Oil and natural gas sales	\$ 62,374	\$ 41,691	\$ 33,328
Operating costs and expenses:			
Lease operating expense	17,211	12,644	8,741
Exploration expense	5,806	14,742	3,946
Dry hole and abandonment	—	21,840	1,706
Depreciation, depletion and amortization	32,727	20,795	6,054
Asset retirement accretion	415	462	225
Impairment of oil and natural gas properties and intangible assets	85,233	13,446	—
General and administrative	15,487	17,313	9,505
Loss on oil and gas derivative contracts	1,781	1,005	—
Loss (gain) on sale of properties and other assets	123	(3,159)	(436)
Total operating costs and expenses	158,783	99,088	29,741
Operating income (loss)	(96,409)	(57,397)	3,587
Other income (expense):			
Equity in earnings of unconsolidated investments	—	22	401
Foreign currency exchange loss	(486)	(26,305)	(605)
Interest and other income	1,779	1,829	1,988
Gain on the extinguishment of debt	458	—	—
Interest expense	(7,849)	(4,291)	(891)
Total other income (expense)	(6,098)	(28,745)	893
Income (loss) from continuing operations before income taxes	(102,507)	(86,142)	4,480
Income tax benefit (provision)	(6,076)	4,676	(3,005)
Income (loss) from continuing operations, net of tax	(108,583)	(81,466)	1,475
Income (loss) from discontinued operations, net of tax	(22)	7,045	1,103
Net income (loss)	(108,605)	(74,421)	2,578
Preferred dividends	—	(162)	(162)
Income (loss) available to common shares	<u><u>\$ (108,605)</u></u>	<u><u>\$ (74,583)</u></u>	<u><u>\$ 2,416</u></u>
Basic income (loss) available to common shares per share from:			
Continuing operations	\$ (5.48)	\$ (4.45)	\$ 0.09
Discontinued operations	—	0.38	0.07
	<u><u>\$ (5.48)</u></u>	<u><u>\$ (4.07)</u></u>	<u><u>\$ 0.16</u></u>
Diluted income (loss) available to common shares per share from:			
Continuing operations	\$ (5.48)	\$ (4.45)	\$ 0.08
Discontinued operations	—	0.38	0.07
	<u><u>\$ (5.48)</u></u>	<u><u>\$ (4.07)</u></u>	<u><u>\$ 0.15</u></u>
Weighted average shares outstanding:			
Basic	19,831	18,358	15,527
Diluted	19,831	18,358	15,884
Statement of Comprehensive Income (Loss)			
Net income (loss)	\$ (108,605)	\$ (74,421)	\$ 2,578
Foreign currency translation adjustments	(5,254)	38,431	6,687
Comprehensive income (loss)	<u><u>\$ (113,859)</u></u>	<u><u>\$ (35,990)</u></u>	<u><u>\$ 9,265</u></u>

See accompanying notes to the consolidated financial statements.

Table of Contents

TOREADOR RESOURCES CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Preferred Stock (Shares)	Preferred Stock (\$)	Common Stock (Shares)	Common Stock (\$)	Additional Paid-in Capital	Retained Earnings (in thousands)	Accumulated Other Comprehensive Income (loss)	Treasury Stock (\$)	Deferred Compensation	Total Stockholders' Equity
Balance at December 31, 2005	72	72	16,143	2,522	108,001	29,564	(3,364)	(2,534)	(1,902)	132,359
Transfer deferred compensation to additional paid-in capital	—	—	—	—	(1,902)	—	—	—	1,902	—
Cash payment of preferred dividends	—	—	—	—	—	(162)	—	—	—	(162)
Conversion of convertible debenture	—	—	120	19	791	—	—	—	—	810
Exercise of stock options	—	—	175	27	839	—	—	—	—	866
Issuance of restricted stock	—	—	214	33	(33)	—	—	—	—	—
Exercise of warrants	—	—	4	1	33	—	—	—	—	34
Issuance of warrants	—	—	—	—	883	—	—	—	—	883
Tax benefit of stock option exercises	—	—	—	—	293	—	—	—	—	293
Stock option expense	—	—	—	—	66	—	—	—	—	66
Amortization of deferred stock compensation	—	—	—	—	2,737	—	—	—	—	2,737
Net income	—	—	—	—	—	2,578	—	—	—	2,578
Foreign currency translation adjustment	—	—	—	—	—	—	6,687	—	—	6,687
Balance at December 31, 2006	72	72	16,656	2,602	111,708	31,980	3,323	(2,534)	—	147,151
Cash payment of preferred dividends	—	—	—	—	—	(162)	—	—	—	(162)
Exercise of stock options	—	—	321	50	1,574	—	—	—	—	1,624
Issuance of restricted stock	—	—	103	16	(16)	—	—	—	—	—
Issuance of common stock	—	—	3,037	476	49,937	—	—	—	—	50,413
Stock option expense	—	—	—	—	49	—	—	—	—	49
Amortization of deferred stock compensation expense	—	—	—	—	3,982	—	—	—	—	3,982
Adoption of FIN 48	—	—	—	—	—	(45)	—	—	—	(45)
Conversion of preferred stock to common stock	(72)	(72)	450	70	2	—	—	—	—	—
Net loss	—	—	—	—	—	(74,421)	—	—	—	(74,421)
Foreign currency translation adjustments	—	—	—	—	—	—	38,431	—	—	38,431
Tax effect of restricted stock	—	—	—	—	(316)	—	—	—	—	(316)
Payment of equity issuance costs	—	—	—	—	(2,965)	—	—	—	—	(2,965)
Other	—	—	—	—	—	84	—	—	—	84
Balance at December 31, 2007	—	—	20,567	\$ 3,214	\$ 163,955	\$ (42,564)	\$ 41,754	\$ (2,534)	\$ —	\$ 163,825
Exercise of stock options	—	—	189	29	716	—	—	—	—	745
Issuance of restricted stock	—	—	228	36	(36)	—	—	—	—	—
Stock option expense	—	—	—	—	94	—	—	—	—	94
Amortization of deferred stock compensation	—	—	—	—	2,231	—	—	—	—	2,231
Net loss	—	—	—	—	—	(108,605)	—	—	—	(108,605)
Foreign currency translation adjustments	—	—	—	—	—	—	(5,254)	—	—	(5,254)
Tax effect of restricted stock	—	—	—	—	(444)	—	—	—	—	(444)
Other	—	—	—	—	(32)	—	—	—	—	(32)
Balance at December 31, 2008	—	—	20,984	\$ 3,279	\$ 166,484	\$ (151,169)	\$ 36,500	\$ (2,534)	\$ —	\$ 52,560

See accompanying notes to the consolidated financial statements.

TREADOR RESOURCES CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31		
	2008	2007	2006
	(in thousands)		
Cash flows from operating activities:			
Net Income (loss)	\$(108,605)	\$(74,421)	\$ 2,578
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities			
Depreciation, depletion and amortization	32,727	21,406	7,319
Asset retirement accretion expense	415	462	225
Amortization of deferred debt issuance costs	338	612	—
Issuance of warrants to non-employees	—	—	107
Impairment of oil and natural gas properties and intangible assets	85,233	13,446	345
Dry hole and abandonment costs	—	21,840	3,099
Deferred income taxes	—	(3,425)	2,642
Unrealized loss on commodity derivatives	—	192	—
Allowance for doubtful accounts	100	120	—
Loss (gain) on sale of properties and equipment	123	343	(638)
Gain on the sale of discontinued operations	—	(9,244)	—
Gain on the extinguishment of debt	(458)	—	—
Equity in earnings of unconsolidated investments	—	(22)	(401)
Stock-based compensation	2,325	4,031	2,803
Gain on sale of unconsolidated investments	—	(3,502)	—
Change in operating assets and liabilities, net of acquisitions			
Decrease (increase) in accounts receivable	6,791	(2,575)	(1,027)
Decrease (increase) in income taxes receivable	—	715	(655)
Decrease (increase) in other current assets	(1,508)	4,880	(4,596)
Decrease in accounts payable and accrued liabilities	(1,243)	(1,862)	(1,322)
Increase (decrease) in lease payable	(19)	661	—
Decrease in other assets	31	118	—
Increase in income taxes payable	1,584	439	3,625
Net cash provided by (used in) operating activities	<u>17,834</u>	<u>(25,786)</u>	<u>14,104</u>
Cash flows from investing activities:			
Expenditures for property and equipment	(10,702)	(90,644)	(105,165)
Restricted cash	7,896	10,636	(20,504)
Proceeds from the sale of properties and equipment	—	21,002	1,672
Distributions from unconsolidated entities	—	60	250
Sale (purchase) of short-term investments	—	(500)	40,000
Sale (purchase) of investments in unconsolidated entities	—	6,123	(257)
Net cash used in investing activities	<u>(2,806)</u>	<u>(53,323)</u>	<u>(84,004)</u>
Cash flows from financing activities:			
Repayment of revolving credit facilities	—	—	(5,000)
Net borrowings under revolving credit arrangements	—	3,450	26,550
Exercise of stock options	745	1,624	866
Proceeds from the exercise of warrants	—	—	34
Proceeds from issuance of common stock, net of issuance cost of \$32, \$2,965, and \$0	(32)	47,448	—
Tax benefit related to stock options	—	—	293
Payments of long term debt	(5,275)	—	—
Payment of preferred dividends	—	(162)	(162)
Net cash provided by (used in) financing activities	<u>(4,562)</u>	<u>52,360</u>	<u>22,581</u>
Net increase (decrease) in cash and cash equivalents	10,466	(26,749)	(47,319)
Effects of foreign currency translation on cash and cash equivalents	(3,730)	26,806	6,870
Cash and cash equivalents, beginning of year	12,721	12,664	53,113
Cash and cash equivalents, end of year	<u>\$ 19,457</u>	<u>\$ 12,721</u>	<u>\$ 12,664</u>
Supplemental disclosures:			
Cash paid during the period for interest, net of interest capitalized	\$ 5,626	\$ 2,927	\$ —
Cash paid during the period for income taxes	\$ 3,058	\$ 2,761	\$ 2,414
Non-cash investing and financing activities			
Conversion of preferred stock to common stock	\$ —	\$ 72	\$ —
Conversion of convertible debentures to common stock	\$ —	\$ —	\$ 810
Additions to oil and natural gas properties related to asset retirement obligations	\$ 1,294	\$ 1,964	\$ 882

See accompanying notes to the consolidated financial statements.

TOREADOR RESOURCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — DESCRIPTION OF BUSINESS

Toreador Resources Corporation ("Toreador") is an independent energy company engaged in foreign oil and natural gas exploration, development, production, leasing and acquisition activities in France, Turkey, Romania and Hungary. The accompanying consolidated financial statements are presented in U.S. dollars and in accordance with accounting principles generally accepted in the United States.

BASIS OF PRESENTATION

Toreador consolidates all of its majority-owned subsidiaries (collectively, "we," "us," "our," or the "Company"). All intercompany accounts and transactions are eliminated in consolidation. We account for our investments in entities in which we hold less than a majority interest under the equity method.

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES

The preparation of the consolidated financial statements requires management of the Company to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

The Company's estimates of crude oil and natural gas reserves are the most significant estimates used. All of the reserve data in the Annual Report on Form 10-K for the year ended December 31, 2008 are estimates. Reservoir engineering is a subjective process of estimating underground accumulations of crude oil and natural gas. There are numerous uncertainties inherent in estimating quantities of proved crude oil and natural gas reserves. The accuracy of any reserve estimates is a function of the quality of available data and of engineering and geological interpretation and judgment. As a result, reserve estimates may be different from the quantities of crude oil and natural gas that are ultimately recovered.

Other items subject to estimates and assumptions include the carrying amounts of oil and natural gas properties, goodwill, asset retirement obligations and deferred income tax assets. Actual results could differ significantly from those estimates.

CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

Cash and cash equivalents include cash on hand, amounts due from banks and all highly liquid investments with original maturities of three months or less. We believe we maintain our cash in bank deposit accounts, substantially all of which exceed federally insured limits. We have not experienced any losses in such accounts.

As of December 31, 2008 and 2007 we had \$16.8 million and \$10.7 million, respectively, on deposit in foreign banks.

RESTRICTED CASH

Restricted cash consists \$2.9 million for letters of credit to secure additional permits in Hungary. The total amount is on deposit in a foreign bank. As of December 31, 2007 we had restricted cash of \$8.7 million used to secure a bank "Letter Guarantee" that was issued as required under mediation proceedings with Micoperi, Srl and \$2.1 million for a letter of credit to secure additional permits in Hungary.

TREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONCENTRATION OF CREDIT RISK AND ACCOUNTS RECEIVABLE

Financial instruments that potentially subject us to a concentration of credit risk consist principally of cash, accounts receivable, and our hedging and derivative financial instruments. We place our cash with high credit quality financial institutions. We sell oil and natural gas to various customers. An allowance for doubtful accounts was established for accounts receivable in Romania in 2007. The balance of this allowance for doubtful accounts was \$219,772 in 2008 and \$120,000 in 2007. Substantially all of our accounts receivable are due from purchasers of oil and natural gas. We place our hedging and derivative financial instruments with financial institutions and other firms that we believe have high credit ratings. For a discussion of the credit risks associated with our hedging activities, please see "Derivative Financial Instruments" below.

We periodically review the collectability of accounts receivable and record a valuation allowance for those accounts which are, in our judgment, unlikely to be collected. We have not had any significant credit losses in the past and we believe our accounts receivable are fully collectable with the exception of the current allowance.

FINANCIAL INSTRUMENTS

The carrying amounts of financial instruments including cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued liabilities approximate fair value, at December 31, 2008 and 2007, due to the short-term nature or maturity of the instruments.

Long-term debt approximated fair value based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same maturities.

On December 31, 2008 the convertible subordinate notes which had a book value of \$80.28 million, were trading at \$770.00, which would equal a fair market value of approximately \$61.8 million.

DERIVATIVE FINANCIAL INSTRUMENTS

We periodically utilize derivatives instruments such as futures and swaps for purposes of hedging our exposure to fluctuations in the price of crude oil and natural gas sales. We entered into futures and swap contracts for approximately 16,000 Bbls per month for the months of January 2008 through September 2008. This resulted in a fair value loss of \$1.8 million. For the comparable period in 2007, we entered into futures and swap contracts for approximately 15,000 Bbls per month for the months of June 2007 through December 2008 and subsequently sold all contracts as of September 30, 2007 which resulted in a net loss of \$813,000. As of December 31, 2008 we had no open commodity derivative contracts.

At December 31, 2007 we had the following open commodity contract with Total Oil Trading SA:

<u>Type</u>	<u>Period</u>	<u>Barrels</u>	<u>Floor</u>	<u>Ceiling</u>
Collar	January 1 — March 31, 2008	48,000	\$84.75	\$92.75

As of December 31, 2007, we recorded a net unrealized loss of \$192,000 on the above open derivative contract. For the year ended December 31, 2007 we recognized a total derivative fair value loss of \$1 million.

We have elected not to designate the derivative financial instruments to which we are a party as hedges, and accordingly, we record such contracts at fair value and recognize changes in such fair value in current earnings as they occur.

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

INVENTORIES

At December 31, 2008 and 2007, other current assets included \$727,000, and \$2.5 million of inventory, respectively. Those amounts consist of tubular goods and crude oil held in storage tanks. Inventories are stated at the lower of actual cost or market based on the average cost method.

ADVANCES PAID TO VENDORS

At December 31, 2008 and 2007, other current assets included \$1.6 million and \$0 of payments made to vendors in advance of performing the services or receiving the equipment.

OIL AND NATURAL GAS PROPERTIES

We follow the successful efforts method of accounting for oil and natural gas exploration and development expenditures. Under this method, costs of successful exploratory wells and all development wells are capitalized. Costs to drill exploratory wells that do not find proved reserves are expensed. Significant costs associated with the acquisition of oil and natural gas properties are capitalized. Upon sale or abandonment of units of property or the disposition of miscellaneous equipment, the cost is removed from the asset account, net of the accumulated depreciation or depletion, and the gain or loss is credited to or charged against operations.

Maintenance and repairs are charged to expense; betterments of property are capitalized and depreciated as described above.

We capitalize interest on major projects that require an extended period of time to complete. Interest capitalized in 2008, 2007 and 2006 was \$1 million, \$3.7 million, and \$4.3 million, respectively.

We record furniture, fixtures and equipment at cost.

OIL AND NATURAL GAS PROPERTIES HELD FOR SALE

On September 17, 2008, we entered into an Assignment Agreement with Petrol Ofisi AS, a Turkish Company, to sell a 26.75% interest in the South Akcakoca sub-basin ("SASB") assets, which was subsequently amended on January 30, 2009, for \$55 million. These assets have been classified on the balance sheet as held for sale and are valued at lower of the book value or fair value less the cost to sale. Subsequent to the sale to Petrol Ofisi, the Company has retained a 10% working interest in the SASB assets.

DEPRECIATION, DEPLETION AND AMORTIZATION

We provide depreciation, depletion and amortization of our investment in producing oil and natural gas properties on the units-of-production method, based upon independent reserve engineers' estimates of recoverable oil and natural gas reserves from the property. Depreciation expense for furniture, fixtures and equipment is generally calculated on a straight-line basis based upon estimated useful lives of three to seven years.

IMPAIRMENT OF ASSETS

We evaluate producing property costs for impairment and reduce such costs to fair value if the sum of expected undiscounted future cash flows is less than net book value pursuant to Statement of Financial Accounting Standard No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("Statement 144"). We assess impairment of non-producing leasehold costs and undeveloped mineral and

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

royalty interests periodically on a property-by-property basis. We charge any impairment in value to expense in the period incurred.

Impairment charged in 2008 was \$85.2 million compared to \$13.4 million in 2007. The impairment was a result of the following:

(1) In 2008, the impairment charge in Turkey was a result of a decline in the fair market value of the Company's interest in South Akcakoca Sub-Basin assets. In June 2008, we determined the fair market value based on a Letter of Intent to sell a 26.75% interest in the South Akcakoca Sub-Basin assets to Petrol Ofisi AS for \$80.3 million. This sale price indicated that the fair value of our 36.75% working interest was approximately \$103.8 million. The net book value of the Black Sea asset at June 30, 2008 was \$157.3 million, resulting in an impairment of \$53.5 million.

(2) In January 2009, the Company and Petrol Ofisi agreed to a revised purchase price of \$55 million. This resulted in an impairment on assets held for sale, which is comprised of the 26.75% interest in the South Akcakoca Sub-basin assets, of \$25.6 million.

(3) In December 2008, we incurred an additional \$2.4 million impairment charge in Turkey for assets that were unrelated to the sale of South Akcakoca Sub-Basin assets. The impairment was a result of writing off an exploratory well where sufficient progress was not made to develop the area and a plan of development will not be prepared, by the operator, in the foreseeable future.

(4) We recorded an impairment charge of \$2 million for the undeveloped leasehold costs in Trinidad, due to management's decision to exit Trinidad and discontinue our association with our registered agent in the country.

(5) When recording the acquisition of Madison Oil in 2002, we recorded \$833,000 of goodwill associated with the Turkish assets. We periodically review the value of goodwill to determine if an impairment is required. The review at December 31, 2008, indicated that the total amount recorded for goodwill should be impaired. The reason for this impairment is due to the fair value of the Turkish subsidiary, based on the discounted present value of the oil and gas reserves being less than the carrying value of the Turkish subsidiary. This resulted in an impairment charge of \$833,000.

(6) In December 2008, we recorded an impairment in Romania of \$600,000 due to the net book value of the oil and natural gas properties exceeding future cash flows.

(7) In April 2007, we sold our interest in ePsolutions for \$3.4 million in cash and 50,000 shares of preferred stock with a value of \$10.00 per share. Due to the rising cost of electricity and the deterioration of the deregulated electric market in Texas, ePsolutions has reduced their forecasted growth for the next several years. Accordingly, we have reduced our carrying value of our investment in ePsolutions by \$300,000 which we believe more accurately reflects the current market value of this investment.

ASSET RETIREMENT OBLIGATIONS

We account for our asset retirement obligations in accordance with Statement No. 143, "Accounting for Asset Retirement Obligations" ("Statement 143"), which requires us to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes a cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, we either settle the obligation for its recorded amount or incur a gain or loss upon settlement.

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes the changes in our asset retirement liability during the years ended December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
	(in thousands)	
Asset retirement obligation January 1	\$7,339	\$4,519
Asset retirement accretion expense	415	462
Foreign currency exchange (gain) loss	(389)	394
Change in estimates	873	1,964
Property additions	421	—
Property dispositions	(594)	—
Asset retirement obligation at December 31	<u>\$8,065</u>	<u>\$7,339</u>

GOODWILL

We account for goodwill in accordance with Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets" ("Statement 142"). Under Statement 142, goodwill and indefinite-lived intangible assets are not amortized but are reviewed annually (or more frequently if impairment indicators arise) for impairment. Separable intangible assets that are not deemed to have an indefinite life are amortized over their useful lives. At December 31, 2008 and 2007 we did not have any intangible assets that did not have an indefinite life.

We review annually the value of goodwill recorded or more frequently if impairment indicators arise. We recognized \$883,000, \$0 and \$0 goodwill impairment during 2008, 2007 and 2006 respectively. The impairment of goodwill was due to the fair value of the Turkish subsidiary, based on the discounted present value of the oil and gas reserves being less than the carrying value of the Turkish subsidiary. Goodwill was adjusted \$222,000 in 2008 and \$391,000 in 2007 for the foreign currency translation adjustment. The balance of goodwill at December 31, 2008 and 2007 is approximately \$3.8 million and \$4.9 million, respectively.

REVENUE RECOGNITION

Our French crude oil production accounts for the majority of our sales. We sell our French crude oil to Elf Antar France S.A. ("ELF"), and recognize the related revenues when the production is delivered to ELF's refinery, typically via truck. At the time of delivery to the plant, title to the crude oil transfers to ELF. The terms of the contract with ELF state that the price received for oil sold will be the arithmetic mean of all average daily quotations of Dated Brent published in Platt's Oil Market Wire for the month of production less a specified differential per barrel. The pricing of oil sales is done on the first day of the month following the month of production. In accordance with the terms of the contract, payment is made within six working days of the date of issue of the invoice. The contract with ELF is automatically extended for a period of one year unless either party cancels it in writing no later than six months prior to the beginning of the next year. We periodically review ELF's payment timing to ensure that receivables from ELF for crude oil sales are collectible. In 2008, 2007 and 2006 sales to ELF represents approximately 55%, 62% and 67%, respectively, of the Company's total revenue and approximately 18% and 21% of the Company's accounts receivable at December 31, 2008 and 2007, respectively.

We recognize revenue for our remaining production when the quantities are delivered to or collected by the respective purchaser. Title to the produced quantities transfers to the purchaser at the time the purchaser collects or receives the quantities. Prices for such production are defined in sales contracts and

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

are readily determinable based on certain publicly available indices. The purchasers of such production have historically made payment for crude oil and natural gas purchases within thirty and sixty days of the end of each production month, respectively. We periodically review the difference between the dates of production and the dates we collect payment for such production to ensure that receivables from those purchasers are collectible. Taxes associated with production are classified as lease operating expense.

STOCK-BASED COMPENSATION

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 123 (revised 2004), "*Share Based Payment*," ("SFAS 123R"). SFAS 123R establishes the accounting for transactions in which an entity pays for employee services in share-based payment transactions. SFAS 123R requires companies to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The fair value of employee share options and similar instruments is estimated using option-pricing models adjusted for the unique characteristics of those instruments. That cost is recognized over the period during which an employee is required to provide service in exchange for the award. The Company adopted SFAS 123R effective January 1, 2006, using the modified-prospective transition method. Under this method, compensation cost is recognized for awards granted and for awards modified, repurchased or cancelled in the period after adoption. Compensation cost is also recognized for the unvested portion of awards granted prior to adoption. The Company's results for the year ended December 31, 2006, include an additional compensation expense of \$65,916, that is included in general and administrative expenses relating to the adoption of SFAS 123R. Additionally, upon adoption of SFAS 123R, excess tax benefits related to stock option exercises of \$293,000 were presented as a cash inflow from financing activities.

FOREIGN CURRENCY TRANSLATION

The functional currency of the countries in which we operate is the U.S. dollar in the United States, Turkey, Romania and Hungary and the Euro in France. Gains and losses resulting from the translation of Euros into U.S. dollars are included in other comprehensive income for the current period. Gains and losses resulting from the transactions in the New Turkish Lira in Turkey, the Lei in Romania and the Forint in Hungary are included in income available to common shares for the current period. We periodically review the operations of our entities to ensure the functional currency of each entity is the currency of the primary economic environment in which we operate. In October 2007, we made a change in accounting method regarding intercompany accounts receivable due from our subsidiaries in Turkey, Romania and Hungary. Pursuant to a Board of Directors' resolution, we expect to be repaid the intercompany accounts receivable from our subsidiaries in Turkey, Romania and Hungary in the foreseeable future. Due to this resolution, subsequent to October 1, 2007, the change in intercompany accounts receivable balances is reflected in current earnings, as a foreign exchange gain or loss rather than accumulated other comprehensive income.

INCOME TAXES

We are subject to income taxes in the United States, France, Turkey, Hungary and Romania. The current provision for taxes on income consists primarily of income taxes based on the tax laws and rates of the countries in which operations were conducted during the periods presented. All interest and penalties related to income tax is charged to general and administrative expense. We compute our provision for deferred income taxes using the liability method. Under the liability method, deferred income tax assets and liabilities are determined based on differences between financial reporting and income tax basis of assets and liabilities and are measured using the enacted tax rates and laws. The measurement of deferred tax assets is adjusted by a valuation allowance, if necessary, to reduce the future tax benefits to the amount,

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

based on available evidence it is more likely than not deferred tax assets will be realized. We made a commitment to be fully reinvested in our international subsidiaries.

Effective January 1, 2007, we adopted the provisions of FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes — An Interpretation of FASB Statement No. 109* (FIN No. 48"). FIN No. 48 clarifies financial statement recognition and disclosure requirements for uncertain tax positions taken or expected to be taken in a tax return. Financial statement recognition of the tax position will be sustained upon examination, based on the technical merits of the position. Any interest and penalties related to uncertain tax positions are recorded as interest expense and general and administrative expenses, respectively. The adoption of FIN No. 48 did not have a significant effect on our reported financial position or earnings. See Note 9.

LEGAL FEES

We do not accrue for estimated legal fees or other related costs when accruing for loss contingencies, rather they are expensed as incurred.

DEFERRED DEBT ISSUE COST

Deferred debt issue costs are amortized on a straight line basis, which approximates the effective interest method over the term of the loan as a component of interest expense. Deferred debt issue costs, which are included in other assets, totaled approximately \$4,073,000 and \$4,652,000 net of accumulated amortization of \$889,000 and \$552,000 as of December 31, 2008 and 2007, respectively.

TREASURY STOCK

At December 31, 2008 and 2007 we had 721,027 shares of treasury stock valued at a historical cost of approximately \$2.5 million or \$3.47 a share.

NEW ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued Statement No. 157 *"Fair Value Measurements"* ("SFAS No. 157"). SFAS No. 157 provides guidance for using fair value to measure assets and liabilities. It applies whenever other standards require or permit assets or liabilities to be measured at fair value but it does not expand the use of fair value in any new circumstances. In November 2007, the FASB issued FSP No. 157-2 ("FASB No. 157-2") to defer the effective date of SFAS 157 to fiscal year beginning after November 15, 2008, and the interim period for that fiscal year for all non-financial assets and liabilities, except those that are recognized or disclosed at fair value on a recurring basis. We are currently evaluating the impact of our adoption of FSP No. 157-2 which will be adopted effective January 1, 2009. The provisions of SFAS No. 157 that were not deferred were effective for financial statements issued for fiscal years beginning after November 15, 2007. The adoption of SFAS No. 157, effective January 1, 2008, did not have a significant effect on our reported financial position or earnings. In October 2008, the FASB issued FSP No. 157-3, *"Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active"* (FSP 157-3). FSP 157-3 clarifies the application of SFAS 157, which the Company adopted as of January 1, 2008, in cases where a market is not active. The Company has considered FSP 157-3 in its determination of estimated fair values as of December 31, 2008, and the impact was not material.

In February 2007, the FASB issued Statement 159, *"The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of FASB Statement 115"* ("SFAS No. 159"). SFAS No. 159 permits entities to choose to measure certain financial instruments and other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

to apply complex hedge accounting provisions. Unrealized gains and losses on any items for which we elect the fair value measurement option are to be reported in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company elected not to measure any eligible items using the fair value option in accordance with SFAS No. 159 and therefore the adoption of SFAS No. 159, effective January 1, 2008, did not have an effect on our reported financial position or earnings.

In December 2007, the FASB issued Statement No. 141R, "*Business Combinations*" ("SFAS No. 141R"). Under SFAS No. 141R, a company is required to recognize the assets acquired, liabilities assumed, contractual contingencies, and any contingent consideration measured at their fair value at the acquisition date. It further requires that research and development assets acquired in a business combination that have no alternative future use are to be measured at their acquisition-date fair value and then immediately charged to expense, and that acquisition-related costs are to be recognized separately from the acquisition and expensed as incurred. Among other changes, this statement also requires that "negative goodwill" be recognized in earnings as a gain attributable to the acquisition, and any deferred tax benefits resultant in a business combination be recognized in income from continuing operations in the period of the combination. SFAS No. 141R is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning after December 15, 2008. We are currently determining the effect of adopting SFAS No. 141R.

In December 2007, the FASB issued Statement No. 160, "*Noncontrolling Interests in Consolidated Financial Statements*"— an amendment of ARB No. 51 ("SFAS No. 160"). SFAS No. 160 amends ARB 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary, which is sometimes referred to as minority interest, is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. Among other requirements, this statement requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest. It also requires disclosure, on the face of the consolidated income statement, of the amounts of consolidated net income attributable to the parent and to the noncontrolling interest. SFAS No. 160 is effective for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2008. The effect of adopting SFAS No. 160 is not expected to have an effect on our reported financial position or earnings.

In March 2008, the FASB issued Statement No. 161 — "*Disclosures about Derivative Instruments and Hedging Activities*" — an Amendment of FASB Statement No. 133 ("SFAS No. 161"). This statement changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedged items are accounted for under FASB Statement No. 133 and its related interpretations, and (iii) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS No. 161 is effective for annual periods beginning after November 15, 2008. We are currently assessing the effect, if any, the adoption of SFAS No. 161 will have on our financial statements and related disclosures.

In May 2008, the FASB issued Statement No. 162 — "*The Hierarchy of Generally Accepted Accounting Principles*" ("SFAS No. 162"). The new standard is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with U.S. generally accepted accounting principles for nongovernmental entities. SFAS No. 162 will be effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board Auditing amendments to AU Section 411, *The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles*. We are currently assessing the effect, if any, the adoption of SFAS No. 162 will have on our financial statements and related disclosures.

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

On December 31, 2008 the Securities and Exchange Commission ("SEC") issued the final rule, "*Modernization of Oil and Gas Reporting*" ("Final Reporting Rule"). The Final Reporting Rule adopts revisions to the SEC's oil and gas reporting disclosure requirements and is effective for annual reports on Forms 10-K for years ending on or after December 31, 2009. The revisions are intended to provide investors with a more meaningful and comprehensive understanding of oil and gas reserves to help investors evaluate their investments in oil and gas companies. The amendments are also designed to modernize the oil and gas disclosure requirements to align them with current practices and changes in technology. Revised requirements in the Final Reporting Rule include, but are not limited to:

- Oil and gas reserves must be reported using the un-weighted arithmetic average of the first day of the month price for each month within a 12 month period, rather than year-end prices;
- Companies will be allowed to report, on an optional basis, probable and possible reserves;
- Non-traditional reserves, such as oil and gas extracted from coal and shales, will be included in the definition of "oil and gas producing activities;"
- Companies will be permitted to use new technologies to determine proved reserves, as long as those technologies have been demonstrated empirically to lead to reliable conclusions with respect to reserve volumes;
- Companies will be required to disclose, in narrative form, additional details on their proved undeveloped reserves ("PUDs"), including the total quantity of PUDs at year end, and any material changes to PUDs that occurred during the year, investments and progress made to convert PUDs to developed oil and gas reserves and an explanation of the reasons why material concentrations of PUDs in individual fields or countries have remained undeveloped for five years or more after disclosure as PUDs; and
- Companies will be required to report the qualifications and measures taken to assure the independence and objectivity of any business entity or employee primarily responsible for preparing or auditing reserve estimates.

We are currently evaluating the potential impact of adopting the Final Reporting Rule. The SEC is discussing the Final Reporting Rule with the FASB staff to align FASB accounting standards with the new SEC rules. These discussions may delay the required compliance date. Absent any change in the effective date, we will comply with the disclosure requirements in our annual report on Form 10-K for the year ended December 31, 2009.

In November 2008, the FASB ratified EITF 08-6, "*Equity Method Investment Accounting Considerations*" (EITF08-6") which clarifies how to account for certain transactions involving equity method investments. The initial measurement, decreases in value and changes in the level of ownership of the equity method investment are addressed. EITF 08-6 is effective on a prospective basis for our fiscal year beginning January 1, 2009 and interim periods within the years. Early application by an entity that has previously adopted an alternative accounting policy is not permitted. Adoption is not expected to have a significant impact on our consolidated results of operations or cash flows.

In May 2008, the FASB issued FASB Staff Position ("FSP") No. APB 14-1, "*Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)*" ("FSP APB No. 14-1"). FSP APB No. 14-1 specifies that issuers of such instruments should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest costs are recognized in subsequent periods. FSP APB No. 14-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years. FSP APB No. 14-1 should be applied retrospectively for all periods presented. The Company is currently evaluating what impact the adoption of this pronouncement will have on its consolidated financial statements.

TOREADOR RESOURCES CORPORATION

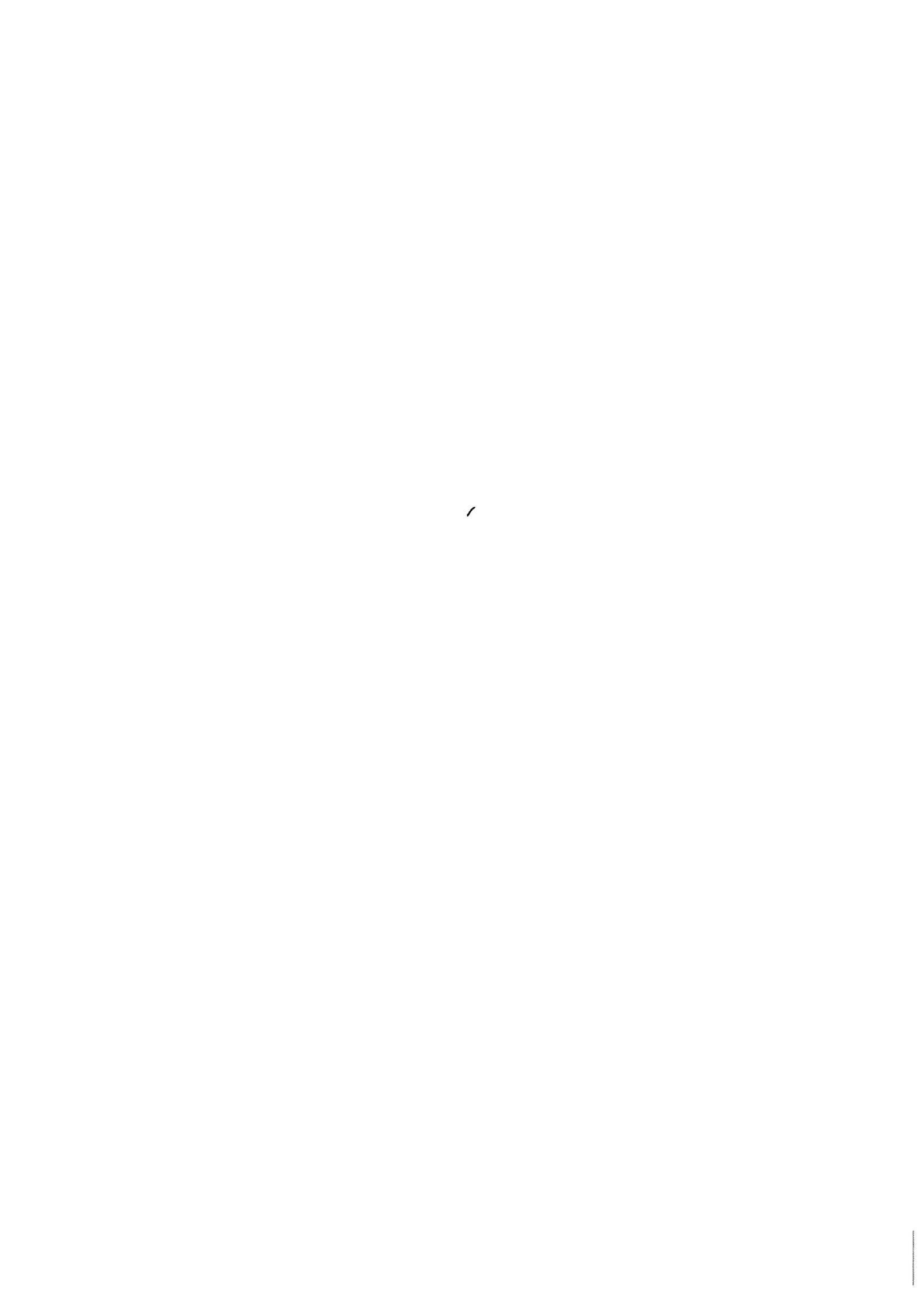
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE 3 — EARNINGS PER SHARE

In accordance with the provisions of FASB Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("Statement 128"), basic earnings per share are computed on the basis of the weighted-average number of common shares outstanding during the periods. Diluted earnings per share are computed based upon the weighted-average number of common shares plus the assumed issuance of common shares for all potentially dilutive securities.

	Year ended December 31,		
	2008	2007	2006
	(in thousands, except per share data)		
Basic earnings (loss) per share:			
Numerator			
Income (loss) from continuing operations, net of income tax	\$(108,583)	\$(81,466)	\$ 1,475
Less: dividends on preferred shares	—	162	162
Income (loss) from continuing operations, net of tax	(108,583)	(81,628)	1,313
Income (loss) from discontinued operations, net of tax	(22)	7,045	1,103
Income (loss) available to common shares	<u>\$(108,605)</u>	<u>\$(74,583)</u>	<u>\$ 2,416</u>
Denominator			
Common shares outstanding	19,831	18,358	15,527
Basic earnings (loss) available to common shares per share from:			
Continuing operations	\$ (5.48)	\$ (4.45)	\$ 0.09
Discontinued operations	—	0.38	0.07
Basic income (loss) per share	<u>\$ (5.48)</u>	<u>\$ (4.07)</u>	<u>\$ 0.16</u>
Diluted earnings (loss) per share:			
Numerator			
Income (loss) from continuing operations, net of income tax	\$(108,583)	\$(81,466)	\$ 1,475
Less: dividends on preferred shares	—	162	162
Income (loss) from continuing operations, net of tax	(108,583)	(81,628)	1,313
Income (loss) from discontinued operations, net of tax	(22)	7,045	1,103
	<u>\$(108,605)</u>	<u>\$(74,583)</u>	<u>\$ 2,416</u>
Denominator			
Common shares outstanding	19,831	18,358	15,527
Stock options, restricted stock and warrants	—(1)	—(1)	357
Conversion of preferred shares	—(2)	—(2)	—(2)
Conversion of 5.0% notes payable	—(3)	—(3)	—(3)
Diluted shares outstanding	<u>19,831</u>	<u>18,358</u>	<u>15,884</u>
Diluted earnings (loss) available to common shares per share from:			
Continuing operations	\$ (5.48)	\$ (4.45)	\$ 0.08
Discontinued operations	—	0.38	0.07
Diluted income (loss) per share	<u>\$ (5.48)</u>	<u>\$ (4.07)</u>	<u>\$ 0.15</u>
Anti-dilutive securities not included above are as follows:			
Stock options, restricted stock and warrants	25	148	—
Preferred shares	—	450	450
Debentures	—	—	26
5% notes payable(3)	1,966	2,015	2,015

- (1) Conversion of these securities would be antidilutive; therefore, there are no dilutive shares.
- (2) Conversion of these securities would be antidilutive; therefore there are no dilutive shares. These securities were converted on or prior to December 31, 2007.
- (3) Conversion of the 5% Senior Convertible Notes would be antidilutive therefore, there are no dilutive shares.



TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE 4 — ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
	(in thousands)	
Accrued oil and natural gas sales receivables, net of allowance of \$220 and \$120	\$3,726	\$ 3,154
Trade receivables	29	2,182
Joint interest billing	65	2,163
Recoverable VAT	1,219	4,221
Other accounts receivable	411	620
	<u>\$5,450</u>	<u>\$12,340</u>

Accrued oil and natural gas sales receivables are due from either purchasers of oil and gas or operators in oil and natural gas wells for which the Company owns an interest. Oil and natural gas sales are generally unsecured and such amounts are generally due within 30 days after the month of sale.

Trade receivables and joint interest billings are the amounts due from our joint interest partners and amounts due from contractors where we have paid for supplies on their behalf. These receivables are generally due within 15 days after receipt of monthly joint interest billing or they are offset against invoices from contractors when billed.

Other receivables and VAT at December 31, 2008 and 2007 consist of accrued interest receivable on time deposits, value added tax refunds and travel advances to employees.

NOTE 5 — OIL AND NATURAL GAS PROPERTIES

Oil and Natural Gas Properties consist of the following:

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
	(in thousands)	
Licenses and concessions	\$ 1,134	\$ 3,591
Non-producing leaseholds	18,306	184,067
Producing leaseholds and intangible drilling costs	244,167	154,437
Furniture, fixtures and office equipment	3,479	3,370
	<u>267,086</u>	<u>345,465</u>
Accumulated depreciation, depletion and amortization	(157,375)	(73,514)
Total oil and natural gas properties	<u>\$ 109,711</u>	<u>\$271,951</u>

Table of Contents

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Company capitalizes exploratory well costs until a determination is made that the well has found proved reserves or is deemed noncommercial, in the latter case the well costs are immediately charged to exploration expense.

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
	<u>(in thousands)</u>	
Capitalized exploratory well cost, beginning of the year	\$ 17,109	\$ 5,256
Additions to capitalized exploratory costs pending determination of proved reserves	377	17,109
Reclassified to dry hole costs	—	(5,256)
Reclassified to assets held for sale	(12,728)	—
Impairments	(2,441)	—
Capitalized exploratory well costs, end of year	<u>\$ 2,317</u>	<u>\$ 17,109</u>

The following table provides an aging of capitalized exploratory well costs (suspended well costs), as of December 31, of each year, based on the date the drilling was completed:

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
	<u>(in thousands)</u>	
Capitalized exploratory well cost that have been capitalized for a period of one year or less	\$ —	\$ 17,109
Capitalized exploratory well costs that have been capitalized for a period greater than one year	2,317	—
Balance at end of year	<u>\$ 2,317</u>	<u>\$ 17,109</u>

The amount of exploratory well costs that have been capitalized for a period greater than one year include two wells drilled in 2007 that were drilled to test the outer limits of the shallow water wells drilled and currently on production in the Black Sea, offshore Turkey. The current operational plan calls for sub-sea completions and connection to an existing platform in late 2009 or early 2010.

NOTE 6 — INVESTMENTS IN UNCONSOLIDATED ENTITIES

In February 2004, we acquired 45% of ePsolutions. Based in Austin, Texas, ePsolutions is a software and energy services company in the electric industry and deregulated energy markets. ePsolutions is the developer of emPower system, a CIS, EDI and billing solution for energy companies within deregulated energy markets. We recorded equity in the earnings of ePsolutions of a gain of \$41,000 in 2007 and a loss of \$70,000 in 2006. In April 2007, we sold our interest in ePsolutions to ePsolutions for \$3.4 million in cash and 50,000 shares of preferred stock with a value of \$10.00 per share and recorded a gain on the sale of \$2.3 million.

In June 2008 due to the rising cost of electricity and the deterioration of the deregulated electric market in Texas we reduced the carrying value of our investment by \$300,000. We believe this more accurately reflects the current value of this investment.

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In July 2000, we acquired 35% of EnergyNet.com, Inc. ("EnergyNet"), an Internet based oil and natural gas property auction company. We recorded equity in the earnings of EnergyNet of a loss of \$45,000 in 2007 and a gain of \$340,000 in 2006. We received a dividend from EnergyNet of \$175,000 in 2006. In April 2007, we sold our interest in EnergyNet.com to EnergyNet.com for \$2 million and recorded a gain on the sale of \$1.1 million.

In April 2000, we acquired a 50% interest in Capstone Royalty, LLC ("Capstone"), a joint venture formed to acquire mineral interests at county auctions in west Texas and develop those interests. We recorded equity in the earnings of Capstone amounting to \$26,000 in 2007 and \$131,000 in 2006. We received a distribution from Capstone of \$60,000 in 2007 and \$75,000 in 2006. In April 2007, we sold our interest in Capstone Royalty, LLC to Capstone Royalty, LLC for \$250,000 and recorded a gain on the sale of \$124,000.

NOTE 7 — LONG-TERM DEBT

Long-term debt consisted of the following:

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
	(in thousands)	
Secured revolving facility with the International Finance Corporation	\$ 30,000	\$ 30,000
Convertible senior notes	80,275	86,250
	<u>110,275</u>	<u>116,250</u>
Less: current portion	(30,000)	—
	<u>\$ 80,275</u>	<u>\$ 116,250</u>

CONVERTIBLE SENIOR NOTES DUE OCTOBER 1, 2025

On September 27, 2005, we issued \$75 million of Convertible Senior Notes due October 1, 2025 ("Notes") to qualified institutional buyers pursuant to Rule 144A of the Securities Act of 1933. The Company also granted the initial purchasers the option to purchase an additional \$11.25 million aggregate principal amount of Notes to cover over-allotments. The option was exercised on September 30, 2005. The total principal amount of Notes issued was \$86.25 million and total net proceeds were approximately \$82.2 million. We incurred approximately \$4.1 million of costs associated with the issuance of the Notes; these costs have been recorded in other assets on the balance sheet and are being amortized to interest expense using the straight-line interest rate method over the term of the Notes.

The net proceeds were used for general corporate purposes, including funding a portion of the Company's 2005 and 2006 exploration and development activities.

The Notes bear interest at a rate of 5% per annum and can be converted into common stock at an initial conversion rate of 23.3596 shares of common stock per \$1,000 principal amount of Notes, subject to adjustment in an event of a fundamental change, as defined, (equivalent to a conversion price of approximately \$42.81 per share). The Company may redeem the Notes, in whole or in part, on or after October 6, 2008, and prior to October 1, 2010, for cash at a redemption price equal to 100% of the principal amount of Notes to be redeemed, plus any accrued and unpaid interest, if the closing price of its common stock exceeds 130% of the conversion price over a specified period. On or after October 1, 2010, the Company may redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of Notes to be redeemed, plus any accrued and unpaid interest, irrespective of the price

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

of our common stock. Holders may convert their Notes at any time prior to the close of business on the business day immediately preceding their stated maturity, and holders may, (i) upon the occurrence of certain fundamental changes, and also (ii) on October 1, 2010, October 1, 2015, and October 1, 2020, require the Company to repurchase all or a portion of their Notes for cash in an amount equal to 100% of the principal amount of such Notes, plus any accrued and unpaid interest. At December 31, 2008, the outstanding principal amount of the Notes was \$80.3 million.

Due to our restating the consolidated financial statements for the years ended December 31, 2003, 2004 and 2005 and our consolidated financial statements for each of the quarters ended March 31 and June 30, 2006, we did not provide the trustee under the indenture of the Notes with copies of our annual reports, information, documents and other reports that we are required to file with the Securities and Exchange Commission pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 within thirty (30) days of when such reports were required to be filed with the Securities and Exchange Commission.

On December 15, 2006, we received a notice from the trustee for failure to provide the trustee with a copy of our Form 10-Q for the nine month period ended September 30, 2006. Since we cured the covenant default within thirty (30) days after receiving the written notice from the trustee, an event of default did not occur.

The registration rights agreement covering the Notes provided for a penalty if the registration statement was filed and declared effective but thereafter ceased to be effective (a "Suspension Period") for an aggregate of forty-five (45) days in any three month period or ninety (90) days in any twelve month period (an "Event Date"). Such penalty called for an additional 0.25% per annum in interest expense on the aggregate principal amount of the Notes for the first ninety (90) days following an Event Date and an additional 0.50% per annum in interest expense on the aggregate principal amount of the Notes thereafter, until such Suspension Period ended upon the registration statement again becoming effective or not being required to be effective pursuant to the registration rights agreement. Because we did not file our Quarterly Report on Form 10-Q for the nine month period ended September 30, 2006 in a timely manner, the registration statement for the Notes became ineffective and we entered a Suspension Period on November 15, 2006. Such Suspension Period ended on January 23, 2007 when we provided notice that the Form 10-Q had been filed and the Suspension Period was no longer in effect. Because the Suspension Period exceeded forty-five (45) days in any three month period, we paid approximately \$14,375 in additional interest expense. On March 16, 2007, the date we filed our Form 10-K for the year ended December 31, 2006, we again entered a Suspension Period until all the Notes became eligible for sale pursuant to Rule 144(k) on September 30, 2007. On October 1, 2007, \$155,000 was deposited with the trustee for the Notes as the penalty for any holders of the Notes who were eligible on October 1, 2007 to receive a pro rata portion of such payment. Such eligible holders had to have registered their Notes on the registration statement and still held those Notes on October 1, 2007. On April 1, 2008, we requested that the trustee return \$150,957 which represents the unclaimed portion of the penalty and on April 3, 2008 we received the funds from the trustee. During the year we paid \$4,043 of the penalty deposit to eligible holders of Notes.

On July 9, 2008, our Board of Directors authorized a program to repurchase up to \$10 million of the Notes by December 31, 2008. During this period, we repurchased \$6 million of the Notes for \$5.3 million plus accrued interest of \$109,347. Additionally, we expensed \$241,965 of prepaid loan fees attributable to the repurchased notes. This resulted in a \$458,535 gain on the early extinguishment of debt. The repurchases were made in the open market, or in privately negotiated transactions, subject to market conditions, applicable legal requirements and other factors.

TREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

SECURED REVOLVING FACILITY WITH THE INTERNATIONAL FINANCE CORPORATION

On December 28, 2006, we guaranteed the obligations of certain of our direct and indirect subsidiaries in a loan and guarantee agreement with the International Finance Corporation. The loan and guarantee agreement provides for the \$25 million loan facility which is a secured revolving facility with a maximum facility amount of \$25 million which maximum facility amount would have increased to \$40 million when the projected total borrowing base amount exceeded \$50 million. The \$25 million facility was funded on March 2, 2007. The total proceeds received on March 2, 2007 were approximately \$25 million, of which \$11 million was used to retire the outstanding balance on the \$15 million credit facility with Natixis Banques Populaires and the remaining \$14 million of funds was used to finance our capital expenditures in Turkey and Romania. The loan and guarantee agreement also provided for a \$10 million facility which was funded on December 28, 2006. In September 2007, we repaid \$5 million on the \$25 million facility from proceeds received on the U.S. oil and gas property sale. As of December 31, 2007, the International Finance Corporation reduced our borrowing base under both loans to \$30 million from \$35 million. Both the \$25 million facility and \$10 million facility were to fund our operations in Turkey and Romania.

Interest accrued on any loans under the \$25 million facility at a rate of 2% over the six month LIBOR rate. Interest accrued on the \$10 million facility at a rate of 1.5% over the six month LIBOR rate until the \$25 million facility was funded after which the rate for the \$10 million facility was lowered to 0.5% over the six month LIBOR rate. At December 31, 2008, the interest rate on the \$10 million facility was 2.823% and the interest rate on the \$25 million facility was 4.323%. Interest was to be paid on each June 15 and December 15.

The \$25 million facility was secured as follows: (i) the lender has a first ranking security interest in (a) certain proceeds, receivables and contract rights relating to and from the sale of oil or gas production in France, Turkey and Romania and (b) funds held in certain bank accounts; (ii) the lender had an assignment of all rights and claims to any compensation or other special payments in respect of all concessions other than those arising in the normal course of operations payable by the government of Turkey and Romania; and (iii) the lender has a first ranking pledge (a) by Treador International Holding, LLC of all its shares in the borrowers; (b) by Madison Oil France SAS of all its shares in Treador France; and (c) by the Company of all its shares in Treador International Holding, LLC.

On December 31, 2011, the maximum amount available under the \$25 million facility would have begun to decrease by \$5 million every six months from \$40 million (assuming the projected borrowing base amount exceeds \$50 million) until the final portion of the \$25 million facility would have been due on December 15, 2014. On December 15, 2014, \$5 million of the \$10 million facility would have been required to be repaid with the remaining \$5 million being due on June 15, 2015.

We were required to meet the following ratios on a consolidated basis: (i) the life of loan coverage ratio of not less than: (a) 1.2:1.0 in 2006 and 2007; (b) 1.3:1.0 in 2008; and (c) 1.4:1.0 in 2009 and each subsequent year thereafter; (ii) reserve tail ratio of not less than 25%; (iii) adjusted financial debt to EBITDAX (earnings before interest, taxes, depreciation and amortization and exploration expenses) ratio of not more than 3.0:1.0; (iv) liabilities to tangible net worth ratio of not more than 60:40; and (v) interest coverage ratio of not less than 3.0:1.0. On August 9, 2007, the ratios were amended to replace the adjusted financial debt to EBITDA ratio not being more than 3.0:1.0 with the adjusted financial debt to EBITDAX ratio not being more than 3.0:1.0 and the definition of interest coverage ratio was adjusted to substitute EBITDAX instead of EBITDA for calculation purposes. At December 31, 2007, we were not in compliance with the interest coverage ratio of not less than 3.0:1.0; the actual ratio was 2.8:1.0. The International Finance Corporation granted the Company a temporary waiver for the interest coverage ratio provided the Company maintained EBITDAX to net interest expense ratio of 2.7:1.0 until July 2,

Table of Contents

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

2008 and EBITDA to net interest expense ratio of at least 2.7:1.0 during the remaining period of the waiver's effectiveness. The waiver was effective until March 8, 2009.

At March 31, 2008, we were not in compliance with the adjusted financial debt to EBITDAX ratio threshold of not more than 3.0:1.0; the actual ratio was 4.5:1.00. The International Finance Corporation granted the Company a temporary waiver on the condition that the Company maintains the adjusted financial debt to EBITDA ratio for the (i) quarter ending March 31, 2008 of 4.5:1.0; (ii) quarter ending June 30, 2008 of 4.0:1.0; (iii) quarter ending September 30, 2008 of 3.5:1.0, and (iv) quarter ending December 31, 2008 of 3.25:1.0. We must also be compliant with the original requirement of adjusted financial debt to EBITDA of not more than 3.0:1.0 starting from the end of the first quarter ending March 31, 2009. The waiver is effective until April 1, 2009.

At December 31, 2008, we were not in compliance with the liabilities to tangible net worth ratio of not more than 60:40, however we did not request a waiver from the IFC as the facility was subsequently retired on March 3, 2009 as explained below.

We were subject to certain negative covenants, including, but not limited to, the following: (i) subject to certain exceptions, paying dividends; (ii) subject to certain exceptions, incurring debt, making guarantees or creating or permitting to exist any liens, (iii) subject to certain exceptions, making or permitting to exist loans or advances to, or deposits, with other persons or investments in any person or enterprise; (iv) subject to certain exceptions, selling, transferring, leasing or otherwise disposing of all or a material part of our borrowing base assets; and (v) subject to certain exceptions, undertaking or permitting any merger, spin-off, consolidation or reorganization.

Included in interest expense for the year ended December 31, 2008, is \$701,625 of additional compensation due to the IFC related to the prior year. This amount should have been recognized as additional interest expense in the prior year. Management does not believe the error had a material effect on the financial results for the year ended December 31, 2007 or that the correction of the error in the current period will have a material effect on the financial results for the year ended December 31, 2008. Also included in interest expense for the year ended December 31, 2008 is an estimate of \$2.1 million to be paid in 2009 relating to 2008 operations.

On March 3, 2009, we repaid the facility with the International Finance Corporation with the proceeds from our sale of 26.75% of our 36.75% interest in the Black Sea Project. The total amount of the payment was \$36.4 million, which was comprised of \$30 million principal, \$5.9 million additional compensation, as defined in the Loan and Guarantee Agreement among Torcador Resources Corporation and the International Finance Corporation dated December 28, 2006, due under the \$10 million facility and \$500,000 for accrued interest and fees.

The following table summarizes the principal maturities under our long-term debt arrangements at December 31, 2008, (in thousands):

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Thereafter</u>	<u>Total</u>
Long-term debt	<u>\$30,000</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$ 80,275</u>	<u>\$110,275</u>

NOTE 8 — CAPITAL

On March 23, 2007, we closed a \$45 million private placement of equity. In the transaction, we issued an aggregate of 2,710,843 shares of common stock to six institutional investors, providing us with \$45 million of gross proceeds at closing. We also granted the investors the right to purchase an additional \$8.1 million aggregate amount of common stock within the next 30-day period. On April 24, 2007, two of

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

the institutional investors exercised their warrants for an aggregate of 326,104 additional shares of common stock, providing us with approximately \$5.4 million of gross proceeds. The net proceeds from the private placement totaled approximately \$47 million and were used to help fund our 2007 exploration and development activities.

In connection with the private placement, we entered into a registration rights agreement with the investors. The registration rights agreement provided that we would file a registration statement with the Securities and Exchange Commission covering the resale of the common stock within 60 days after the closing date. If the registration statement was not filed with the Securities and Exchange Commission within such time, we had to pay 1.0% of the aggregate purchase price, an additional 1.0% on the one month anniversary of the 60th day after closing if the registration statement had not been filed by such date and an additional 2.0% of the aggregate purchase price for each 30 day period after the one month anniversary if the registration statement was not filed by such date. We filed the registration statement with the Securities and Exchange Commission on May 8, 2007. If the registration statement was not declared effective by the Securities and Exchange Commission within 150 days after the closing date, we had to pay 1.0% of the aggregate purchase price, an additional 1.0% on the one month anniversary of the 150th day after the closing if the registration statement had not been declared effective by the Securities and Exchange Commission by such date and an additional 2.0% of the aggregate purchase price for each 30 day period after the one month anniversary if the registration statement was not declared effective by such date. The registration statement was declared effective July 26, 2007. Now that the registration statement has been declared effective by the Securities and Exchange Commission, if, subject to certain exceptions, future sales cannot be made pursuant to the registration statement after 60 days has elapsed, we must pay 1.0% of the aggregate purchase price on the date sales cannot be made pursuant to the registration statement, an additional 1% on the one month anniversary of the date sales are not permitted under the registration statement if sales are not permitted under the registration statement by such date and an additional 2.0% of the aggregate purchase price for each 30 day period after the one month anniversary if sales under the registration statement are not permitted by such date. Any one month or 30 day periods during which we cure the violation will cause the payment for such period to be made on a pro rata basis. As a result of the change in the resale restrictions under Rule 144, effective February 15, 2008, we amended the registration rights agreement to provide that we do not have to keep the registration statement effective if the holders of the shares covered by the registration rights agreement can sell all of the shares pursuant to Rule 144.

We account for registration rights agreements containing a contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement, in accordance with *EITF Issue No. 00-19-2, "Accounting for Registration Payment Arrangements"*. Under this approach, the contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement shall be recognized and measured separately in accordance with *"FAS No. 5, Accounting for Contingencies"* and *"FASB Interpretation No. 14, Reasonable Estimation of the Amount of a Loss"*.

Torcador had zero shares of nonvoting Series A-1 Convertible Preferred Stock outstanding at December 31, 2008 and 2007. At the option of the holder, the Series A-1 Convertible Preferred Stock were convertible into common shares at a price of \$4.00 per common share (conversion would amount to 450,000 Torcador common shares at December 31, 2007). The Series A-1 Convertible Preferred Stock accrues dividends at an annual rate of \$2.25 per share payable quarterly in cash. At any time on or after November 1, 2007, we could elect to redeem for cash any or all shares of Series A-1 Convertible Preferred Stock. The optional redemption price per share was the sum of (1) \$25.00 per share of the Series A-1 Convertible Preferred Stock plus (2) any accrued unpaid dividends, and such sum was multiplied by a declining multiplier. The multiplier was 105% until October 31, 2008, 104% until October 31, 2009, 103%

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

until October 31, 2010, 102% until October 31, 2011, 101% until October 31, 2012, and 100% thereafter. In December 2007, all the Series A-1 Convertible Preferred Stock was converted into common shares.

On July 22, 2004, we issued warrants for the purchase of 40,000 shares of our common stock at \$8.20 per share. The warrant was issued pursuant to the terms of the letter agreement dated July 19, 2004. At December 31, 2008 there were 36,400 warrants outstanding all of which expire on July 22, 2009. We recognized \$58,410 in expense relating to the issuance of the warrants.

On July 11, 2005, we issued warrants for the purchase of 50,000 shares of our common stock at \$27.40 per share. The warrants were issued pursuant to the terms of the Fee Letter, dated February 21, 2005, between the Company, Natexis Banques Populaires and Madison Energy France. At December 31, 2008 all 50,000 warrants were outstanding and expire on December 23, 2009. In 2006, we recognized \$836,000 in expense relating to the issuance of the warrants.

On January 3, 2006, we issued warrants for the purchase of 10,000 shares of our common stock at \$27.65 per share. The warrant was issued pursuant to the terms of the Engagement Letter, dated January 3, 2006, between the Company and ParCon Consulting. At December 31, 2008 all 10,000 warrants were outstanding and expire on January 3, 2011. We recognized \$106,800 of expense in 2006 relating to the issuance of the warrants.

NOTE 9 — INCOME TAXES

The Company's provision (benefit) for income taxes consists of the following at December 31:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
	(in thousands)		
Current:			
U.S. Federal	\$ (5)	\$ (31)	\$ (581)
U.S. State	(115)	323	(7)
Foreign	7,526	2,409	1,156
Deferred:			
U.S. Federal	(443)	(32)	135
Foreign	(887)	(3,393)	2,944
	<u>\$6,076</u>	<u>\$ (724)</u>	<u>\$3,647</u>

The tax provision (benefit) has been allocated between continuing operations and discontinued operations as follows:

Provision (benefit) allocated to:			
Continuing operations	\$6,076	\$(4,676)	\$3,005
Discontinued operations	—	3,952	642
	<u>\$6,076</u>	<u>\$ (724)</u>	<u>\$3,647</u>

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The primary reasons for the difference between tax expense at the statutory federal income tax rate and our provision for income taxes were:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
	(in thousands)		
Statutory tax at 34%	\$(34,860)	\$(25,549)	\$ 2,113
Rate differences related to foreign operations	13,706	6,479	584
Use of NOL carryforwards	—	—	(121)
Reduction in Turkish net operating loss	—	—	143
State income tax, net	(76)	213	(5)
Foreign currency gain (loss) not taxable in foreign jurisdictions	498	4,497	265
Effect of rate changes in foreign countries	—	—	(1,062)
Adjustments to valuation allowance	26,440	14,172	1,846
Other	368	(536)	(116)
	<u>\$ 6,076</u>	<u>\$ (724)</u>	<u>\$ 3,647</u>

Table of Contents

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31, 2008 and 2007 were as follows:

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
	(in thousands)	
Deferred tax assets:		
Net operating loss carryforward — United States	\$ 15,005	\$ 8,620
Net operating loss carryforward — State	135	135
Net operating loss carryforward — Foreign	9,617	12,265
Restricted stock	565	689
Impairment — Foreign	16,468	4,571
Impairment — US	5,453	—
Other	690	475
Gross deferred tax assets	<u>47,933</u>	<u>26,755</u>
Valuation allowance	(46,984)	(20,900)
Net deferred tax assets	<u>\$ 949</u>	<u>\$ 5,855</u>
Deferred tax liabilities:		
Differences in oil and gas property capitalization and depletion methods — Foreign	(13,851)	(20,768)
Unrealized foreign currency translation gains	(949)	(455)
Gross deferred tax liabilities	<u>(14,800)</u>	<u>(21,223)</u>
Net deferred tax liabilities	<u>\$(13,851)</u>	<u>\$(15,368)</u>

During 2008 the Company increased its tax valuation allowance by \$26 million due to our expectation that tax benefits will not be realized in the future in the amount of \$7 million related to U.S. operations and \$19 million related to Turkish operations.

At December 31, 2008, Toreador had the following carryforwards available to reduce future taxable income (in thousands):

<u>Jurisdiction</u>	<u>Expiry</u>	<u>Amount</u>
United States	2010 — 2023	\$44,132
Hungary	Unlimited	38,656
Turkey	2008 — 2012	12,956
France	Unlimited	2,523

Realization of net operating loss carryforwards depends on our ability to generate taxable income within the carryforward period. Due to uncertainty related to the Company's ability to generate taxable

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

income in the respective countries sufficient to realize all of our deferred tax assets we have recorded the following valuation allowances:

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
	(in thousands)	
United States	\$15,005	\$ 8,755
Turkey	2,591	—
Hungary	6,185	6,024
France	841	841
	<u>\$24,622</u>	<u>\$15,620</u>

Future net operating loss carryforwards for which a valuation allowance has been provided will be realized when taxable income amounts below are generated in the following countries:

	<u>Required</u>
	<u>Taxable Income</u>
United States	\$ 44,132
Turkey	12,956
Hungary	38,656
France	2,523

A portion of the Hungarian net operating loss was acquired in a purchase; therefore realization of \$25 million of the Hungarian net operating loss will be credited to oil and natural gas properties rather than a credit to income tax expense.

Under APB 23, *Accounting for Income Taxes — Special Areas*, we have elected to treat our foreign earnings as permanently reinvested outside the US and are not providing US tax expense on those earnings. However, Romania and Turkey both have US branches which are not permanently reinvested outside the US. Consequently the US tax on their earnings is reflected in consolidated income tax expense at the US tax rate of 34%.

We adopted FIN No. 48, *Accounting for Uncertainty in Income Taxes* ("FIN No. 48") on January 1, 2007. As a result of the adoption the Company recognized an increase in the liability for unrecognized tax benefits of approximately \$45,000, which was accounted for as a decrease to the January 1, 2007 balance of retained earnings. As of the date of adoption and after the impact of recognizing the increase in liability noted above, our unrecognized tax benefits totaled approximately \$357,000, the disallowance of which would not materially affect the effective income tax rate. There are no tax positions for which a material change in the unrecognized tax benefit liability is reasonably possible in the next 12 months.

We recognize potential accrued interest and penalties related to unrecognized tax benefits within our global operations in income tax expense. In conjunction with the adoption of FIN No. 48, we recognized approximately \$28,000 for the accrual of interest and penalties at January 1, 2007 which is included as a component of \$357,000 unrecognized tax benefit noted above. During the year 2008 we recognized \$0 in potential interest and penalties associated with uncertain tax positions. To the extent interest and penalties are not assessed with respect to uncertain tax positions, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision.

Table of Contents

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes the changes in our liability for unrecognized tax benefits for the year ended December 31, 2008:

Unrecognized tax benefit at January 1, 2008	\$326
Tax Year Closed	(5)
Unrecognized tax benefit at December 31, 2008	<u>\$321</u>

We have not paid any significant interest or penalties associated with our income taxes, but classify both interest expense and penalties as part of our income tax expense.

The Company files several state and foreign tax returns, many of which remain open for examination for five years.

NOTE 10 — BENEFIT PLANS

We have a 401(k) retirement savings plan. Employees are eligible to defer portions of their salaries, limited by Internal Revenue Service regulations. The Company is subject to the 3% safe harbor rule and contributed \$95,000 in 2008 and \$115,000 in 2007. Discretionary employer matches are determined annually by the board of directors and such discretionary matches amounted to \$0 in 2008, \$112,500 in 2007 and \$74,000 in 2006.

NOTE 11 — STOCK COMPENSATION PLANS

We have granted stock options to key employees and outside directors of Toreador as described below.

In May 1990, we adopted the 1990 Stock Option Plan ("1990 Plan"). The 1990 Plan, as amended and restated, provides for grants of up to 1,000,000 stock options to employees and directors at exercise prices greater than or equal to market on the date of the grant.

In December 2001, we adopted the 2002 Stock Option Plan ("2002 Plan"). The 2002 Plan provides for grants of up to 500,000 stock options to employees and outside directors at exercise prices greater than or equal to market on the date of the grant.

In September 1994, we adopted the 1994 Non-employee Director Stock Option Plan ("1994 Plan"). The 1994 Plan, as amended and restated, provides for grants of up to 500,000 stock options to non-employee directors of Toreador at exercise prices greater than or equal to market on the date of the grant.

The Board of Directors grants options under our plans periodically. Generally, option grants are exercisable in equal increments over a three-year period, and have a maximum term of 10 years.

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

A summary of stock option transactions is as follows:

	2008		2007		2006	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at January 1	338,170	\$ 4.85	673,870	\$ 5.13	858,940	\$ 5.07
Granted	100,000	7.88	—	—	—	—
Exercised	(189,800)	3.93	(320,700)	5.06	(175,070)	4.95
Forfeited	—	—	(15,000)	13.18	(10,000)	3.10
Outstanding at December 31	<u>248,370</u>	<u>6.77</u>	<u>338,170</u>	<u>4.85</u>	<u>673,870</u>	<u>5.13</u>
Exercisable at December 31	<u>148,370</u>	<u>6.02</u>	<u>334,837</u>	<u>4.73</u>	<u>660,536</u>	<u>4.90</u>

The intrinsic value of the options exercised in 2008 was \$979,609. For the year ended December 31, 2008, 2007 and 2006 we received cash from stock option exercises of \$745,000, \$1.6 million and \$866,000, respectively. During 2008, 3,333 shares vested. As of December 31, 2008, the total compensation cost related to non-vested stock options not yet recognized is approximately \$255,000. This amount will be recognized as compensation expense over the next 29 months.

For stock options granted the following table represents the weighted-average exercise prices and the weighted-average fair value based upon whether or not the exercise price of the option was greater than, less than or equal to the market price of the stock on the grant date:

Year	Option Type	Shares	Weighted-Average Exercise Price	Weighted-Average Fair Value
2008	Exercise price equal to market price	100,000	\$ 7.88	\$ 3.61

The option was valued using Black-Scholes, with an expected volatility of .666, expected life of three years and a risk free interest rate of 2.70%.

Table of Contents

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes information about the fixed price stock options outstanding at December 31, 2008:

Exercise Price	Number Outstanding		Number Exercisable		Weighted Average Remaining Contractual Life in Years
	Shares	Intrinsic Value (in thousands)	Shares	Intrinsic Value (in thousands)	
\$ 3.00	5,000	\$ 12	5,000	\$ 12	0.42
3.10	20,000	48	20,000	48	4.47
3.12	4,420	11	4,420	11	1.72
3.88	5,000	8	5,000	8	0.82
4.12	15,000	21	15,000	21	3.41
4.96	10,000	5	10,000	5	5.39
5.50	56,450	(1)	56,450	(1)	5.32
5.95	15,000	(7)	15,000	(7)	2.38
7.88	100,000	(239)	—	—	9.38
13.75	7,500	(62)	7,500	(62)	5.88
16.90	10,000	(114)	10,000	(114)	6.38
	<u>248,370</u>	<u>(318)</u>	<u>148,370</u>	<u>(79)</u>	4.14

At December 31, 2008, there were 20,208, remaining shares available for grant under the plans collectively.

In May 2005, stockholders approved the Torcador Resources Corporation 2005 Long-Term Incentive Plan (the "Plan"). The Plan, as amended, authorizes the issuance of up to 750,000 shares of the Company's common stock to key employees, key consultants and outside directors of the Company. The Board of Directors has authorized a total of 314,184 shares of restricted stock be granted to employees and non-employee directors. The compensation cost is measured by the difference between the quoted market price of the stock at the date of grant and the price, if any, to be paid by an employee and is recognized as an expense over the period the recipient performs related services. The restricted stock grants vest over a one to four year period depending on the grant and the weighted average price of the stock on the date of the grants was \$8.08 for the year ended December 31, 2008. Stock compensation expense of \$2.3 million and \$3.9 million is included in the Statement of Operations for the years ended December 31, 2008 and 2007, which represents the cost recognized from the date of the grants through December 31, 2008 and 2007. During 2008, 172,463 shares vested having a fair value of approximately \$1.5 million on the date of vesting. As of December 31, 2008, the total compensation cost related to non-vested restricted stock grants not yet recognized is approximately \$2 million. This amount will be recognized as compensation expense over the next 24 months.

For the years ended Decmber 31, 2008 and 2007 we recognized a current tax benefit related to restricted stock grants of approximately \$0 and \$0 and a deferred tax benefit of approximately \$443,000 and \$1.3 million, respectively.

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes the changes in outstanding restricted stock grants along with their related grant-date fair values for the year ended December 31, 2008:

	Shares	Weighted Average Grant-Date Fair Value
Non-vested at January 1, 2008	222,599	\$ 25.91
Shares granted	314,184	8.08
Shares vested	(172,465)	16.56
Shares forfeited	(86,094)	26.38
Non-vested at December 31, 2008	<u>278,224</u>	<u>\$ 11.63</u>

NOTE 12 — COMMITMENTS AND CONTINGENCIES

We lease our office space under non-cancelable operating leases that escalate annually, expiring during 2009 through 2014. The following is a schedule of minimum future rentals under our non-cancelable operating leases as of December 31, 2008 (in thousands):

2009	\$ 770
2010	816
2011	827
2012	681
2013	636
Thereafter	453
	<u>\$4,183</u>

Net rent expense totaled \$952,000 in 2008, \$818,000 in 2007 and \$699,000 in 2006.

Black Sea Incidents. In October 2005, in an incident involving a vessel owned by Micoperi Srl, the Ayazli 2 and Ayazli 3 wells were damaged, and subsequently had to be re-drilled. We and our co-venturers made a claim in respect of the cost of re-drilling and repeating flow-testing. The amount claimed was approximately \$10.8 million before interest, subject to adjustment when the actual cost of flow-testing the re-drilled wells was known. In addition, we and our co-venturers claimed to recover back from Micoperi a sum of about \$8.2 million paid to Micoperi under the contract between us, our co-venturers and Micoperi. Micoperi made a cross-claim for about \$7.1 million in respect of sums allegedly due to Micoperi under the contract between us, our co-venturers and Micoperi. Micoperi also asserted a claim that the arrest of the vessel "MICOPERI 30" at Palermo, Italy was wrongful and asserted a claim for damages in respect of such allegedly wrongful arrest. We and our co-ventures received security from Micoperi by way of a letter of undertaking from their insurers, and provided security to Micoperi in respect of their cross-claims by way of a bank guarantee of \$8.2 million. The claims and cross-claims were subject to the jurisdiction of the English Court; however, neither side commenced any court proceedings. All the amounts stated above are gross and our share was equal to 36.75%. Following mediation in London, an agreement was reached on November 14, 2008 between Toreador, our co-venturers and Micoperi, whereby a full settlement of all claims related to the 2005 incident were reached. The settlement's net proceeds to us were approximately \$1.4 million and we were released of all cross-claims from Micoperi regarding the 2005 incident.

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Company has indemnified a third party vendor for any claims made related to this incident. However, the Company believes the possibility of a claim being asserted is remote.

In 2005, two separate incidents occurred offshore Turkey in the Black Sea, which resulted in the sinking of two caissons and the loss of three natural gas wells. The Company has not been requested to or ordered by any governmental or regulatory body to remove the caissons. Therefore, the Company believes that the likelihood of receiving such a request or order is remote and no liability has been recorded.

From time to time, we are named as a defendant in other legal proceedings arising in the normal course of business. In our opinion, the final judgment or settlement, if any, which may be awarded with any suit or claim would not have a material adverse effect on our financial position.

NOTE 13 — RELATED PARTY TRANSACTIONS

William I. Lee (deceased), was a former director of the Company and the majority owner of Wilco Properties, Inc ("Wilco"). The Company subleased office space to Wilco pursuant to a sub-lease agreement. We recorded reductions to rent expense totaling \$0 in 2008, \$25,000 in 2007 and \$50,000 in 2006 related to the sublease with Wilco. We had an informal agreement with Wilco under which one of the two companies incurs, on behalf of the other, certain miscellaneous expenses that were subsequently reimbursed by the other company. As of December 31, 2008 the informal lease agreement has been terminated and no amounts are owed or are due to the company.

On November 1, 2002, pursuant to a private placement we issued \$925,000 of Series A-1 Convertible Preferred Stock to certain of our directors or entities controlled by certain of our directors. In connection with the securities purchase agreements, Torcador entered into a registration rights agreement effective November 1, 2002, among Torcador and the purchasers which provides for the registration of the common stock issuable upon conversion of the Series A-1 Convertible Preferred Stock. During 2003, pursuant to private placements we issued 41,000 shares of our Series A-1 Convertible Preferred Stock for the total amount of \$1,025,000 to William I. Lee and Wilco as follows: (i) in October 2003, 34,000 shares were issued to William I. Lee and Wilco, an entity controlled by Mr. Lee; and (ii) in December 2003, 7,000 shares were issued to Wilco. The Series A-1 Convertible Preferred Stock was governed by a certificate of designation. The Series A-1 Convertible Preferred Stock was sold for a face value of \$25.00 per share, and pays an annual cash dividend of \$2.25 per share that result in an annual yield of 9.0%. At the option of the holder, the Series A-1 Convertible Preferred Stock was convertible into common shares at a price of \$4.00 per common share. The \$4.00 conversion price was higher than the market price of our common stock at the time of issuances. The Series A-1 Convertible Preferred Stock was redeemable at our option, in whole or in part, at any time on or after November 1, 2007. The optional redemption price per share was the sum of (1) \$25.00 per share of the Series A-1 Convertible Preferred Stock plus (2) any accrued unpaid dividends, and such sum is multiplied by a declining multiplier. The multiplier is 105% until October 31, 2008, 104% until October 31, 2009, 103% until October 31, 2010, 102% until October 31, 2011, 101% until October 31, 2012, and 100% thereafter. In connection with the securities purchase agreements entered into with William I. Lee and Wilco, Torcador granted certain "piggy-back" registration rights relating to the common stock issuable upon conversion of the Series A-1 Convertible Preferred Stock. The sale of the Series A-1 Convertible Preferred Stock was effected in reliance upon the exemption from securities registration afforded by the provisions of Section 4(2) of the Securities Act of 1933, as amended, and Regulation D as promulgated by the Securities and Exchange Commission under the Securities Act of 1933, as amended. In December 2007, all the series A-1 Convertible Preferred Stock was converted into common shares.

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE 14 — DISCONTINUED OPERATIONS

On June 14, 2007, the Board of Directors authorized management to sell all oil and natural gas properties in the United States. The sale of these properties completed the divestiture of the company's non-core domestic assets and allows us to focus exclusively on our international operations. The sale was closed on September 1, 2007. The sales price was \$19.1 million which resulted in a pre-tax gain of \$9.2 million. Prior year financial statements for 2007 and 2006 have been adjusted to present the operations of the U.S. properties as a discontinued operation. The table below compares discontinued operations for the years ended December 31, 2008, 2007 and 2006:

	<u>Year ended December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Revenue:			
Oil and natural gas sales	\$ —	\$ 4,489	\$7,070
Operating costs and expenses:			
Lease operating expense	22	1,592	2,200
Exploration expense	—	105	—
Depreciation, depletion and amortization	—	611	1,265
Dry hole expense	—	103	1,393
Impairment	—	—	345
General and administrative expense	—	325	324
Gain on sale of properties and other assets	—	(9,244)	(202)
Total operating costs and expenses	<u>(22)</u>	<u>(6,508)</u>	<u>5,325</u>
Operating income	<u>(22)</u>	<u>10,997</u>	<u>1,745</u>
Income tax provision	—	(3,952)	(642)
Income (loss) from discontinued operations	<u>\$(22)</u>	<u>\$ 7,045</u>	<u>\$1,103</u>

NOTE 15 — INFORMATION ABOUT OIL AND NATURAL GAS PRODUCING ACTIVITIES AND OPERATING SEGMENTS

We have operations in only one industry segment, the oil and natural gas exploration and production industry. We are structured along geographic operating segments or regions. As a result, we have reportable operations in the United States, Western Europe (France) and Eastern Europe (Hungary, Romania and Turkey). Geographic operating segment income tax expenses have been determined based on statutory rates existing in the various tax jurisdictions where we have oil and natural gas producing activities.

We allocate a portion of certain United States based employees salaries to our foreign subsidiaries. The amount allocated is based on an estimate of the time that employee has spent working on that on that subsidiary. We periodically review these percentages to make sure that our assumptions are still valid.

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following tables provide the geographic operating segment data required by Statement of Financial Accounting Standards No. 131, "Disclosure about Segments of an Enterprise and Related Information". The United States segment data for the years ended December 31, 2008, 2007, and 2006 has been adjusted to reflect the sale of oil and natural gas properties in the United States as of September 1, 2007 (see Note 14).

	United States	France	Turkey	Hungary	Romania	Total
	(In thousands)					
<i>For the year ended December 31, 2008</i>						
Revenues:						
Oil and natural gas sales	\$ 52	\$ 34,096	\$ 25,668	\$ —	\$ 2,558	\$ 62,374
Costs and expenses:						
Lease operating	—	9,263	3,477	7	4,464	17,211
Exploration expense	1,080	144	2,655	1,397	530	5,806
Depreciation, depletion and amortization	307	4,687	27,164	94	890	33,142
Impairment of oil and natural gas properties and intangible assets	2,282	—	82,340	—	611	85,233
General and administrative	11,746	1,295	2,018	428	—	15,487
(Gain) loss on sale of properties and other assets	—	—	—	—	123	123
Loss on sale of oil and gas derivative contracts	—	1,781	—	—	—	1,781
Total costs and expenses	15,415	17,170	117,654	1,926	6,618	158,783
Operating income (loss)	(15,363)	16,926	(91,986)	(1,926)	(4,060)	(96,409)
Other income (expense)	(3,154)	72	(5,434)	920	1,498	(6,098)
Income (loss) before income taxes	(18,517)	16,998	(97,420)	(1,006)	(2,562)	(102,507)
Benefit (provision) for income taxes	563	(6,066)	(573)	—	—	(6,076)
Income (loss) from continuing operations, net of tax	<u>\$ (17,954)</u>	<u>\$ 10,932</u>	<u>\$ (97,993)</u>	<u>\$ (1,006)</u>	<u>\$ (2,562)</u>	<u>\$ (108,583)</u>
Selected assets:						
Properties and equipment	\$ 1,860	\$ 108,669	\$ 115,057	\$ 17,618	\$ 23,882	\$ 267,086
Properties and equipment held for sale	—	—	55,000	—	—	55,000
Accumulated depreciation, depletion, and amortization	(1,163)	(36,613)	(95,318)	(399)	(23,882)	(157,375)
Oil and natural gas properties, net	\$ 697	\$ 72,056	\$ 74,739	\$ 17,219	\$ —	\$ 164,711
Goodwill	\$ —	\$ 3,838	\$ —	\$ —	\$ —	\$ 3,838
Total assets	<u>\$ 276,434</u>	<u>\$ 93,691</u>	<u>\$ (69,537)</u>	<u>\$ 1,974</u>	<u>\$ (33,046)</u>	<u>\$ 269,516</u>
Expenditures for additions to long-lived assets:						
Development costs	\$ —	\$ 431	\$ 8,649	\$ 1,487	\$ —	\$ 10,567
Exploration costs	—	—	575	—	—	575
Other	10	—	241	163	—	414
Total expenditures for long-lived assets	<u>\$ 10</u>	<u>\$ 431</u>	<u>\$ 9,465</u>	<u>\$ 1,650</u>	<u>\$ —</u>	<u>\$ 11,556</u>

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	United States	France	Turkey	Hungary	Romania	Total
	(In thousands)					
<i>For the year ended December 31, 2007</i>						
Revenues:						
Oil and natural gas sales	\$ 34	\$ 25,873	\$ 11,857	\$ —	\$ 3,927	\$ 41,691
Costs and expenses:						
Lease operating	—	7,344	2,644	—	2,656	12,644
Exploration expense	2,668	855	2,568	2,224	6,427	14,742
Depreciation, depletion and amortization	265	4,137	10,088	65	6,702	21,257
Dry hole cost	—	3,847	4,500	3,484	10,009	21,840
Impairment of oil and natural gas properties and intangible assets	—	—	—	—	13,446	13,446
General and administrative	9,675	2,832	3,727	543	536	17,313
(Gain) loss on sale of properties and other assets	(3,155)	—	(4)	—	—	(3,155)
Loss on sale of oil and gas derivative contracts	1,005	—	—	—	—	1,005
Total costs and expenses	<u>10,458</u>	<u>19,015</u>	<u>23,523</u>	<u>6,316</u>	<u>39,776</u>	<u>99,088</u>
Operating income (loss)	(10,424)	6,858	(11,666)	(6,316)	(35,849)	(57,397)
Other income (expense)	(1,914)	(470)	(23,495)	(2,562)	(304)	(28,745)
Income (loss) before income taxes	(12,338)	6,388	(35,161)	(8,878)	(36,153)	(86,142)
Benefit (provision) for income taxes	3,692	(2,290)	3,274	—	—	4,676
Income (loss) from continuing operations, net of tax	<u>\$ (8,646)</u>	<u>\$ 4,098</u>	<u>\$ (31,887)</u>	<u>\$ (8,878)</u>	<u>\$ (36,153)</u>	<u>\$ (81,466)</u>
Selected assets:						
Properties and equipment	\$ 3,905	\$115,666	\$185,844	\$15,968	\$ 24,082	\$345,465
Accumulated depreciation, depletion, and amortization	(928)	(37,660)	(12,342)	(376)	(22,208)	(73,514)
Oil and natural gas properties, net	<u>\$ 2,977</u>	<u>\$ 78,006</u>	<u>\$173,502</u>	<u>\$15,592</u>	<u>\$ 1,874</u>	<u>\$271,951</u>
Goodwill	\$ —	\$ 4,059	\$ 883	\$ —	\$ —	\$ 4,942
Total assets	<u>\$298,949</u>	<u>\$ 83,683</u>	<u>\$ 31,417</u>	<u>\$ 693</u>	<u>\$ (29,271)</u>	<u>\$385,471</u>
Expenditures for additions to long-lived assets:						
Development costs	\$ —	\$ —	\$ 59,086	\$ 1,672	\$ 2,381	\$ 63,139
Exploration costs	—	3,847	4,500	3,484	10,009	21,840
Other	398	—	36	—	115	549
Total expenditures for long-lived assets	<u>\$ 398</u>	<u>\$ 3,847</u>	<u>\$ 63,622</u>	<u>\$ 5,156</u>	<u>\$ 12,505</u>	<u>\$ 85,528</u>

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	United States	France	Turkey	Hungary	Romania	Total
	(In thousands)					
<i>For the year ended December 31, 2006</i>						
Revenues:						
Oil and natural gas sales	\$ 20	\$ 27,274	\$ 3,834	\$ —	\$ 2,200	\$ 33,328
Costs and expenses:						
Lease operating	—	7,229	793	—	719	8,741
Exploration expense	1,883	432	799	184	648	3,946
Depreciation, depletion and amortization	264	3,119	748	59	2,089	6,279
Dry hole cost	—	—	—	1,706	—	1,706
General and administrative	5,720	1,905	807	516	557	9,505
(Gain) loss on sale of properties and other assets	—	—	(436)	—	—	(436)
Total costs and expenses	7,867	12,685	2,711	2,465	4,013	29,741
Operating income (loss)	(7,847)	14,589	1,123	(2,465)	(1,813)	3,587
Other income (expense)	3,186	187	(1,055)	(1,484)	59	893
Income (loss) before income taxes	(4,661)	14,776	68	(3,949)	(1,754)	4,480
Benefit (provision) for income taxes	1,020	(4,256)	231	—	—	(3,005)
Income (loss) from continuing operations, net of tax	\$ (3,641)	\$ 10,520	\$ 299	\$ (3,949)	\$ (1,754)	\$ 1,475
Selected assets:						
Oil and natural gas properties	\$ 3,602	\$ 99,751	\$ 137,499	\$ 15,334	\$ 21,840	\$ 278,044
Accumulated depreciation, depletion, and amortization	(1,271)	(30,439)	(2,893)	(283)	(2,059)	(36,945)
Oil and natural gas properties, net	\$ 2,349	\$ 69,312	\$ 134,606	\$ 15,051	\$ 19,781	\$ 241,099
Investments in unconsolidated entities	\$ 2,659	\$ —	\$ —	\$ —	\$ —	\$ 2,659
Goodwill	\$ —	\$ 3,632	\$ 919	\$ —	\$ —	\$ 4,551
Total assets	\$ 251,422	\$ 80,574	\$ 35,209	\$ 7,745	\$ 4,638	\$ 379,588
Expenditures for additions to long-lived assets:						
Development costs	\$ —	\$ 15,931	\$ 86,222	\$ 1,759	\$ 6,943	\$ 110,855
Exploration costs	—	—	—	6,249	7,320	13,569
Other	283	127	228	83	111	832
Total expenditures for long-lived assets	\$ 283	\$ 16,058	\$ 86,450	\$ 8,091	\$ 14,374	\$ 125,256

(1) Amounts reflect reclassifications to discontinued operations.

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table reconciles the total assets for reportable segments to consolidated assets.

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
	<u>(in thousands)</u>	
Total assets for reportable segments	\$269,516	\$385,471
Elimination of intersegment receivables and investments	(62,360)	(62,360)
Total consolidated assets	<u>\$207,156</u>	<u>\$323,111</u>

NOTE 16 — SUBSEQUENT EVENT

On February 18, 2009 the Board of Directors has authorized management to engage Stellar Energy Advisors, based in London, UK, to manage an open bid process to sell its remaining 10% interest in the SASB, in addition to its onshore production and 2.7 million net acres in exploration licenses that are currently held. The Company will begin accounting for the Turkish segment as a discontinued operation in the first quarter of 2009.

On March 3, 2009 we completed the sale of a 26.75% interest in the South Akcakoca Sub-Basin (SASB) project associated licenses located in the Black Sea offshore Turkey, to Petrol Ofisi for \$55 million. In accordance with the revised assignment announced on February 3, 2009, \$50 million of the proceeds was paid by Petrol Ofisi on March 3, 2009, and the remaining \$5 million will be paid unconditionally on September 1, 2009.

In accordance with the covenants of the International Finance Corporation revolving credit facility, proceeds of the Petrol Ofisi sale will be used to fully repay and retire the outstanding balance of \$36.4 million, which includes \$5.9 million of additional compensation, accrued interest and fees. Remaining proceeds will be used to retire a portion of the Notes and fund this year's capital program to meet minimum commitments associated with the Company's licenses.

NOTE 17 — SUPPLEMENTAL OIL AND NATURAL GAS RESERVES AND STANDARDIZED MEASURE INFORMATION (UNAUDITED)

We retain an independent engineering firm to provide annual year-end estimates of our future net recoverable oil and natural gas reserves. Estimated proved net recoverable reserves we have shown below include only those quantities that we can expect to be commercially recoverable at prices and costs in effect at the balance sheet dates under existing regulatory practices and with conventional equipment and operating methods. Proved developed reserves represent only those reserves that we may recover through existing wells. Proved undeveloped reserves include those reserves that we may recover from new wells on undrilled acreage or from existing wells on which we must make a relatively major expenditure for recompletion or secondary recovery operations.

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Discounted future cash flow estimates like those shown below are not intended to represent estimates of the fair value of oil and natural gas properties. Estimates of fair value should also consider probable reserves, anticipated future oil and natural gas prices, interest rates, changes in development and production costs and risks associated with future production. Because of these and other considerations, any estimate of fair value is necessarily subjective and imprecise.

	France	Turkey	Romania	Hungary	Total
	Natural Gas (MMcf)				
PROVED RESERVES					
December 31, 2005	—	6,476	3,486	—	9,962
Revisions of previous estimates	—	(1,151)	(1,185)	—	(2,336)
Extensions, discoveries and other additions	—	16,099	1,186	950	18,235
Sale of reserves	—	—	—	—	—
Production	—	—	(446)	—	(446)
December 31, 2006	—	21,424	3,041	950	25,415
Revisions of previous estimates	—	(8,215)	(1,671)	(950)	(10,836)
Extensions, discoveries and other additions	—	741	—	—	741
Sale of reserves	—	—	—	—	—
Production	—	(1,011)	(598)	—	(1,069)
December 31, 2007	—	12,939	772	—	13,711
Revisions of previous estimates	—	(819)	(310)	950	(179)
Extensions, discoveries and other additions	—	—	—	—	—
Sale of reserves	—	—	—	—	—
Production	—	(1,643)	(376)	—	(2,019)
December 31, 2008	—	10,477	86	950	11,513
PROVED DEVELOPED					
December 31, 2006	—	—	3,040	950	3,990
December 31, 2007	—	4,248	772	—	5,020
December 31, 2008	—	2,437	86	950	3,473
	Oil (MBbls)				
PROVED RESERVES					
December 31, 2005	10,978	639	24	—	11,641
Revisions of previous estimates	(906)	95	4	—	(807)
Extensions, discoveries and other additions	—	—	19	1	20
Sale of reserves	—	—	—	—	—
Production	(444)	(69)	(6)	—	(519)
December 31, 2006	9,628	665	41	1	10,335
Revisions of previous estimates	661	481	(27)	(1)	1,114
Extensions, discoveries and other additions	39	—	—	—	39
Sale of reserves	—	(30)	—	—	(30)
Production	(360)	(67)	(8)	—	(435)
December 31, 2007	9,968	1,049	6	—	11,023
Revisions of previous estimates	(4,694)	(253)	(2)	1	(4,948)
Extensions, discoveries and other additions	—	—	—	—	—
Sale of reserves	—	—	—	—	—
Production	(360)	(55)	(3)	—	(418)
December 31, 2008	4,914	741	1	1	5,657
PROVED DEVELOPED					
December 31, 2006	6,770	405	41	1	7,217
December 31, 2007	7,170	808	6	—	7,984
December 31, 2008	4,385	500	1	1	4,887

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

We have summarized the standardized measure of discounted future net cash flows related to our proved oil and natural gas reserves. We have based the following summary on a valuation of proved reserves using discounted cash flows based on year-end prices, costs and economic conditions and a 10% discount rate. The additions to proved reserves from purchase of reserves in place and new discoveries and extensions could vary significantly from year to year; additionally, the impact of changes to reflect current prices and costs of proved reserves in prior years could also be significant. Accordingly, investors should not view the information presented below as an estimate of the fair value of our oil and natural gas properties, nor should investors consider the information indicative of any trends.

For the year ended December 31, 2008, we had a downward reserve revision of 37.4%. At December 31, 2007 the price used for evaluating our oil reserves was \$95.72 per barrel as compared to the December 31, 2008 price of \$34.29 per barrel. This 62% decrease in oil price had a severe impact on the economic life of our wells, but also on the discounted present value at 10% and the standardized measure of proved reserves. This downward revision, which primarily affected our French oil reserves, was due to the following factors (i) decrease in economic life due to change in economics caused a net decrease of 1,682 MBbl; (ii) removing twelve proved undeveloped locations caused a net decrease 1,889 MBbl; (iii) negative reserve revisions resulted in a decrease in reserves of 405 MBbl; (iv) fourteen wells were shut-in resulting in a decrease of 401 MBbl; (v) three drilled locations in prior years resulted in one producing well which was non-commercial at December 31, 2008 causing a net decrease of 280 MBbl; (vi) one well was lost during workover operations causing a net decrease 37 MBbl; and (vii) 2008 production of 805 MBOE. In Hungary, we were able to secure a gas contract and were able to restore the reserves lost in 2007, this resulted in an increase of 159 MBOE and in Romania the poor performance of the field resulted in a decrease of 54 MBbl. In Turkey, we had downward revisions of 390 MBbl. which was due to a decrease in the economic life of the proved developed wells.

The prices of oil and natural gas at December 31, 2008, 2007, and 2006 used to estimate reserves in the table shown below, were \$34.29, \$95.72 and \$57.75 per Bbl of oil, respectively, and \$12.68, \$8.91 and \$6.98 per Mcf of natural gas, respectively.

	<u>France</u>	<u>Turkey</u>	<u>Romania</u>	<u>Hungary</u>	<u>Total</u>
	(In thousands)				
<i>As of and for the year ended December 31, 2006</i>					
Future cash inflows	\$551,139	\$185,815	\$21,163	\$ 5,732	\$ 763,849
Future production costs	214,474	20,407	5,198	1,658	241,737
Future development costs	33,580	20,757	159	800	55,296
Future income tax expense	95,067	7,114	(602)	2,057	103,636
Future net cash flows	208,018	137,537	16,408	1,217	363,180
10% annual discount for estimated timing of cash flows	121,828	53,207	3,019	248	178,302
Standardized measure of discounted future net cash flows related to proved reserves	<u>\$ 86,190</u>	<u>\$ 84,330</u>	<u>\$13,389</u>	<u>\$ 969</u>	<u>\$ 184,878</u>

Table of Contents

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	<u>France</u>	<u>Turkey</u>	<u>Romania</u>	<u>Hungary</u>	<u>Total</u>
	(In thousands)				
<i>As of and for the year ended December 31, 2007</i>					
Future cash inflows	\$963,444	\$209,405	\$ 4,495	\$ —	\$1,177,344
Future production costs	305,939	29,759	3,202	—	338,900
Future development costs	32,221	22,272	95	—	54,588
Future income tax expense	200,094	6,597	—	—	206,691
Future net cash flows	425,190	150,777	1,198	—	577,165
10% annual discount for estimated timing of cash flows	250,979	66,729	88	—	317,796
Standardized measure of discounted future net cash flows related to proved reserves	<u>\$174,211</u>	<u>\$ 84,048</u>	<u>\$ 1,110</u>	<u>\$ —</u>	<u>\$ 259,369</u>
<i>As of and for the year ended December 31, 2008</i>					
Future cash inflows	\$170,662	\$155,179	\$ 412	\$13,735	\$ 339,988
Future production costs	105,298	26,939	381	1,851	134,469
Future development costs	13,658	71,283	159	550	85,650
Future income tax expense	10,027	—	—	—	10,027
Future net cash flows(1)	41,679	56,957	(128)	11,334	109,842
10% annual discount for estimated timing of cash flows	23,116	29,909	(7)	2,056	55,074
Standardized measure of discounted future net cash flows related to proved reserves(1)	<u>\$ 18,563</u>	<u>\$ 27,048</u>	<u>\$ (121)</u>	<u>\$ 9,278</u>	<u>\$ 54,768</u>

(1) The negative values are due to plugging and abandonment costs incurred in the final year.

TOREADOR RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following are the principal sources of change in the standardized measure:

	France	Turkey	Romania (In thousands)	Hungary	Total
Balance at December 31, 2005	\$ 109,129	\$ 15,788	\$ 10,675	\$ —	\$ 135,592
Sales of oil and natural gas, net	(20,201)	(3,041)	(1,481)	—	(24,723)
Net changes in prices and production costs	(6,102)	7,074	2,987	—	3,959
Net change in development costs	(2,101)	970	(130)	(641)	(1,902)
Extensions and discoveries	—	65,127	5,159	3,267	73,553
Revisions of previous quantity estimates	(13,781)	(2,355)	(4,617)	—	(20,753)
Previously estimated development costs incurred	(2,132)	—	(552)	—	(2,684)
Net change in income taxes	9,312	(3,445)	1,262	(1,656)	5,473
Accretion of discount	13,570	1,679	989	—	16,238
Other	(1,504)	2,533	(905)	—	124
Balance at December 31, 2006	86,190	84,330	13,387	970	184,877
Sales of oil and natural gas, net	(18,529)	(9,213)	(1,271)	—	(29,013)
Net changes in prices and production costs	120,639	38,613	(7,953)	—	151,299
Net change in development costs	(266)	(5,701)	59	641	(5,267)
Extensions and discoveries	1,076	3,930	—	—	5,006
Revisions of previous quantity estimates	18,303	(28,262)	(2,726)	(3,267)	(15,952)
Previously estimated development costs incurred	(1,992)	(8,523)	—	—	(10,515)
Net change in income taxes	(42,760)	257	448	1,656	(40,399)
Accretion of discount	11,871	8,492	(841)	—	19,522
Sale of reserves	—	(967)	—	—	(967)
Other	(321)	1,092	7	—	778
Balance at December 31, 2007	174,211	84,048	1,110	—	259,369
Sales of oil and natural gas, net	(24,834)	(22,191)	1,906	—	(45,119)
Net changes in prices and production costs	(212,520)	(7,298)	(481)	—	(220,299)
Net change in development costs	7,795	(30,943)	(62)	(451)	(23,661)
Extensions and discoveries	—	—	—	—	—
Revisions of previous quantity estimates	(26,219)	(11,419)	(105)	9,737	(28,006)
Previously estimated development costs incurred	—	(5,475)	—	—	(5,475)
Net change in income taxes	81,846	5,329	(2,712)	38	84,501
Accretion of discount	26,260	8,938	111	—	35,309
Sale of reserves	—	—	—	—	—
Other	(7,976)	6,059	112	(46)	(1,851)
Balance at December 31, 2008	\$ 18,563	\$ 27,048	\$ (121)	\$ 9,278	\$ 54,768

EXHIBIT VII

**CURRENT REPORTS ON FORM 8-K FILED BY TOREADOR WITH THE SEC ON
MAY 10, 2010 AND MAY 13, 2010, AS AMENDED ON NOVEMBER 3, 2010**

Part I

TOREADOR RESOURCES CORP (TRGL)

8-K

Current report filing
Filed on 5/10/2010
Filed Period 5/10/2010

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

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): **May 10, 2010**

Toreador Resources Corporation
(Exact name of registrant as specified in its charter)

Delaware
(State or other
jurisdiction of
incorporation)

0-02517
(Commission File
Number)

75-0991164
(IRS Employer
Identification No.)

c/o Toreador Holding SAS
9 rue Scribe
Paris, France
(Address of principal executive offices)

75009
(Zip Code)

Registrant's telephone number, including area code: **33 1 47 03 34 24**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

Item 1.01. Entry into a Definitive Material Agreement.

On May 10, 2010, Toreador Energy France S.C.S. (“Toreador”), a company organized under the laws of France and an indirect subsidiary of Toreador Resources Corporation, a Delaware corporation (the “Company”), entered into an Investment Agreement (the “Investment Agreement”) with Hess Oil France S.A.S. (“Hess”), a company organized under the laws of France and a wholly owned subsidiary of Hess Corporation, a Delaware corporation, pursuant to which (x) Hess may become a 50% holder of Toreador’s working interests in its awarded and pending exploration permits in the Paris Basin, France (the “Permits”) and (y) (1) Hess must make a \$15 million upfront payment to Toreador, (2) Hess will have the right to invest up to \$120 million in fulfillment of a two-phase work program (the “Work Program”) and (3) Toreador would be entitled to receive up to a maximum of \$130 million of success fees based on reserves and upon the achievement of an oil production threshold, each as described more fully below.

The transaction is subject to the approval of the French government. The *Bureau Exploration-Production des Hydrocarbures* (Bureau for the Exploration and Production of Hydrocarbons) has 60 days to oppose the proposed transfer of a working interest in an exploration permit.

Pursuant to the Investment Agreement, subject to such government approval, Toreador has transferred 50% of its working interest in each Permit to Hess (collectively, the “Transfer Working Interests”). Hess must pay Toreador \$15 million within 30 days.

Under the terms of the Investment Agreement, Phase 1 of the Work Program is expected to consist of an evaluation of the acreage underlying the Permits and the drilling of six wells. The parties have agreed to use reasonable endeavors to spud the first well by December 1, 2010, the second well by the March 31, 2011 and the third well by June 30, 2011. If Hess does not spend \$50 million in fulfillment of the Work Program within 30 months of receipt of government approval (“Phase 1”), Hess must promptly transfer back to Toreador the Transfer Working Interests.

Under the terms of the Investment Agreement, if Hess spends \$50 million in Phase 1, Hess will have the option to proceed to Phase 2 of the Work Program. If Hess elects not to proceed to Phase 2 of the Work Program, Hess must promptly transfer back to Toreador a percentage of the Transfer Working Interests determined with reference to the amount of money spent by Hess in fulfillment of the Work Program during Phase 1.

Under the terms of the Investment Agreement, if Hess elects to proceed, Phase 2 of the Work Program is expected to consist of appraisal and development activities, depending on the results of the work in Phase 1. If Hess does not spend \$70 million (less money spent by Hess in fulfillment of the Work Program in excess of \$50 million in Phase 1) in fulfillment of the Work Program within 36 months (“Phase 2”), Hess must promptly transfer back to Toreador a percentage of the Transfer Working Interests determined with reference to the amount of money spent by Hess in fulfillment of the Work Program during Phase 1. Following Phase 2, Toreador and Hess will bear the costs of subsequent exploration, appraisal and development activities in accordance with individual participation agreements governing the joint operations on each Permit.

Under the terms of the Investment Agreement, Hess agrees to pay Toreador: (x) a success fee based on proved developed oil reserves (as defined by Rule 4-10(a) of Regulation S-X), up to a maximum of \$80 million and (y) a success fee if oil production exceeds an agreed threshold, up to a maximum of \$50 million, each of which is subject to reduction under certain circumstances.

Under the terms of the Investment Agreement, Toreador and Hess have designated an area of mutual interest within the Paris Basin (the “AMI”). If either party acquires or applies for a working interest in an exploration permit or exploitation concession within the AMI, such party would be required to offer to the other party 50% of such interest on the same terms and conditions.

The Investment Agreement contains certain restrictions on each party's ability to transfer its respective working interests in the Permits.

The description of the Investment Agreement above is qualified in its entirety by reference to the full text of the agreement, a copy of which is attached hereto as Exhibit 10.1.

Item 2.01 Completion of Acquisition or Disposition of Assets.

The information required by this Item is included in Item 1.01 and is incorporated by reference herein.

Item 8.01. Other Events.

On May 10, 2010, the Company issued a press release announcing the execution of the Investment Agreement, a copy of which is filed as Exhibit 99.1 hereto and incorporated by reference herein.

Item 9.01.

(b) Pro Forma Financial Information

The pro forma financial information required by Item 9.01(b) of Form 8-K is included as Exhibit 99.2 and is incorporated herein by reference.

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
10.1	Investment Agreement, dated May 10, 2010, between Toreador and Hess.
99.1	Press release issued by the Company on May 10, 2010.
99.2	Unaudited pro forma financial statements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

TOREADOR RESOURCES CORPORATION

Date: May 10, 2010

By: /s/ Craig M. McKenzie
Craig M. McKenzie
Chief Executive Officer

EXHIBIT INDEX

Exhibit No.	Description
10.1	Investment Agreement, dated May 10, 2010, between Toreador and Hess.
99.1	Press release issued by the Company on May 10, 2010.
99.2	Unaudited pro forma financial statements.

INVESTMENT AGREEMENT

THIS INVESTMENT AGREEMENT (this “**Agreement**”) is entered into on the 10th day of May 2010 by and between Toreador Energy France S.C.S., a company existing under the laws of France (hereinafter referred to as “**Toreador**”) and an indirect subsidiary of Toreador Resources Corporation, a Delaware corporation, and Hess Oil France S.A.S, a company existing under the laws of France (hereinafter referred to as “**Hess**”) and a wholly owned subsidiary of Hess Corporation, a Delaware corporation. The companies named above, and their respective successors and assignees (if any), may sometimes individually be referred to as “**Party**” and collectively as the “**Parties**.”

WHEREAS, as of the date of this Agreement, Toreador holds, or has pending permits in respect of, the working interests (collectively, the “**Original Working Interests**”) in the exploration permits (the “**Permits**”) set forth on Exhibit A attached hereto, in each case which have been, or may be, granted to it in accordance with the mining legislation and regulations applicable in France on the basis of commitments to execute and finance certain exploration works;

WHEREAS, Toreador is willing to delegate the execution and the financing of the exploration works referred to above and has offered Hess to perform such exploration works and provide such financing and participate in the Original Working Interests subject to the conditions set forth herein;

WHEREAS, Hess wishes and agrees to participate, subject to the terms and conditions set forth herein, in the Original Working Interests and perform the exploration works and provide such financing; and

WHEREAS, Toreador and Hess wish herewith to specify the terms and conditions of Hess’s participation in the Original Working Interests and the delegation to Hess of the execution and financing of certain exploration, appraisal and development activities on the Permits.

NOW, THEREFORE, in consideration of the premises and the mutual covenants, agreements and obligations set forth herein, and other good and valuable consideration, the legal sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. **DEFINITIONS**

1.1 Whenever used in this Agreement, the following terms shall have the meanings assigned to them hereunder unless specifically defined otherwise or unless the context otherwise requires:

“*Acquired Interest*” shall have the meaning ascribed to it in Section 5.2.

“*Acquiring Party*” shall have the meaning ascribed to it in Section 5.2.

“**Acquisition Fee**” shall have the meaning ascribed to it in Section 2.1.

“**Acreage Delivered**” shall equal the gross acreage attributable to the Permits for which Hess is a Co–Titleholder or to the permits for which Hess acquires a working interest pursuant to Section 5.

“**Acreage Represented**” shall mean 1,137,000 gross acres.

“**Affiliate**” shall be any entity that directly or indirectly wholly owns, is wholly owned by, or is under common control of a Party.

“**Agreement**” shall have the meaning ascribed to it in the preamble.

“**Area of Mutual Interest**” shall have the meaning ascribed to it in Section 5.1.

“**bbf**” shall mean one (1) stock tank barrel of oil, or a volume of forty two (42) U.S. gallons.

“**Co–Titleholder**” shall have the meaning ascribed to it in Section 4.2(f).

“**dollars**” or “**\$**” shall mean U.S. dollars.

“**Election Notice**” shall have the meaning ascribed to it in Section 3.4(a).

“**Expert**” shall have the meaning ascribed to it in Section 14.3.

“**Force Majeure**” shall mean any event or circumstance, which is beyond the control of the Party or Parties concerned (acting and having acted as a reasonable and prudent operator), directly resulting in, or causing the failure by, such Party or Parties to perform any of its or their obligations under this Agreement, which failure could not have been prevented or overcome by the exercise by it or them of the standard of a reasonable and prudent operator, including, without limitation (i) acts of God, earthquake, flood, lightning, fires, storm, storm warnings, and navigational and maritime perils; (ii) strikes, lockouts or other industrial disturbances (including strikes, lockouts or other industrial disturbances involving only the staff or business of the Party seeking to rely on the Force Majeure event); (iii) acts of war, civil disturbances, blockades, insurrections, riots, occupation of premises or facilities, terrorism, epidemics; or (iv) any law, order, rule, regulation, act, restraint, omission or failure to act of any governmental body or authority, civil or military (whether or not in fact legally valid).

“**French Administration**” shall mean the French Administration and any agency thereof.

“**Government Approval**” shall have the meaning ascribed to it in Section 4.1(b).

“**Gross Acreage**” shall equal the gross acreage attributable to the Permits for which a Working Interest Assignment has become effective under Section 4.1 or permits for which Hess acquires a working interest pursuant to Section 5.

“**Hess**” shall have the meaning ascribed to it in the preamble.

“**Hess Money Spent**” shall mean money spent by Hess in fulfillment of the Work Program, which shall be calculated in accordance with the specifications set forth in Annex A.

“**Hess Revenue**” shall mean Hess’s monthly revenue from production on the Gross Acreage.

“**Management Committee**” shall have the meaning ascribed to it in Section 3.2(a).

“**Non–Acquiring Party**” shall have the meaning ascribed to it in Section 5.2.

“**Non–Wholly Owned Pending Permits**” shall mean the pending Permits listed in Exhibit H.

“**Non–Wholly Owned Permits**” shall mean the Permits listed in Exhibit E.

“**OECD Convention**” shall mean the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, signed in Paris on December 17, 1997, which entered into force on February 15, 1999, and the Convention’s Commentaries.

“**Offered Interest**” shall have the meaning ascribed to it in Section 5.2.

“**Organizational Rules**” shall mean the organizational rules of the Management Committee set forth in Exhibit D.

“**Original Working Interests**” shall have the meaning ascribed to it in the recitals.

“**Participation Agreements**” shall have the meaning ascribed to it in Section 4.3(c).

“**Party**” or “**Parties**” shall have the meaning ascribed to it in the preamble.

“**Permits**” shall have the meaning ascribed to it in the recitals.

“**Phase 1**” shall mean the period of time between the date hereof and the Phase 1 Completion Deadline.

“**Phase 1 Completion Date**” shall have the meaning ascribed to it in Section 3.3(c).

“**Phase 1 Completion Deadline**” shall mean the last day of the thirty (30)–month period following the date on which Government Approval (or refusal, as the case may be) for all the Wholly Owned Permits is obtained.

“**Phase 1 Completion Notice**” shall have the meaning ascribed to it in Section 3.3(c).

“**Phase 1 Work**” shall mean the exploration, appraisal and/or development activities described under Phase 1 of the Work Program.

“**Phase 2**” shall mean the thirty six (36)–month period commencing on the calendar day following the earlier of the Phase 1 Completion Deadline or the date on which the Parties agree in accordance with Section 3.3(c) that Hess Money Spent during Phase 1 equals or exceeds \$50,000,000 (fifty million dollars).

“**Phase 2 Completion Date**” shall have the meaning ascribed to it in Section 3.5(b).

“**Phase 2 Completion Deadline**” shall mean the last day of the thirty six (36)–month period from the date on which Phase 2 commenced.

“**Phase 2 Completion Notice**” shall have the meaning ascribed to it in Section 3.5(b).

“**Phase 2 Work**” shall mean the exploration, appraisal and/or development activities described under Phase 2 of the Work Program.

“**Production Success Fee**” shall have the meaning ascribed to it in Section 8.2(a).

“**Production Success Fee Cap**” shall have the meaning ascribed to it in Section 8.2(c).

“**Production Trigger**” shall have the meaning ascribed to it in Section 8.2(a).

“**Proposed Application Interest**” shall have the meaning ascribed to it in Section 5.4.

“**Proposed Reserves**” shall have the meaning ascribed to it in Section 8.1(c).

“**Proved Developed Reserves**” shall have the meaning ascribed to such term by Rule 4—10(a) of Regulation S—X promulgated by the SEC.

“**Received**” shall have the meaning ascribed to it in Section 13.1.

“**Reserves**” shall mean the Proved Developed Reserves attributable to the Original Working Interests in the Permits and the Proved Developed Reserves attributable to the interests acquired by Hess and Toreador pursuant to Section 5.

“**Reserves Success Fee**” shall have the meaning ascribed to it in Section 8.1(a).

“**Reserves Success Fee Cap**” shall have the meaning ascribed to it in Section 8.1(e).

“**Resulting Working Interest**” shall mean Hess’s working interest in a Permit equal to Hess Money Spent during Phase 1 *divided by* \$120,000,000 (one hundred twenty million dollars) and then *multiplied by* 50% and then *multiplied by* the Original Working Interest in such Permit (provided that no Resulting Working Interest shall under any circumstances exceed 50% of the Original Working Interest) (collectively, the “**Resulting Working Interests**”).

“**SEC**” shall mean the U.S. Securities and Exchange Commission.

“**Tax Authority**” shall mean any local, municipal, governmental, state, federal or other fiscal, customs or excise authority with responsibility for or competent to impose, collect or administer any form of tax.

“**Toreador**” shall have the meaning ascribed to it in the preamble.

“**Transaction Costs**” shall have the meaning ascribed to it in Section 5.2.

“*Transfer Working Interest*” shall mean 50% of an Original Working Interest (collectively, the “*Transfer Working Interests*”).

“*VAT*” shall mean value added tax imposed in any member state of the European Union, including France, pursuant to the EC Council Directive 2006/112 on the common system of value added tax and national legislation, including French legislation, implementing that Directive together with all penalties or interest thereon or any tax of a similar nature which may be substituted for or levied in addition to it.

“*Wholly Owned Pending Permits*” shall mean the pending Permits listed in Exhibit G.

“*Wholly Owned Permits*” shall mean the Permits listed in Exhibit E.

“*Work Program*” shall mean the work program attached hereto as Exhibit B.

“*Working Interest Assignments*” shall have the meaning ascribed to it in Section 4.1(a).

“*Working Interest Balance*” shall mean the working interest in each Permit equal to the Transfer Working Interest *minus* the Resulting Working Interest.

2. ACQUISITION FEE

2.1 As a result of Hess acquiring up to 50% of the Original Working Interests on the terms and conditions set forth herein, Hess agrees to pay to Toreador within thirty (30) calendar days of execution of this Agreement, \$15,000,000 (fifteen million dollars) increased by applicable VAT at the current standard rate of 19.6% (the “**Acquisition Fee**”) by wire transfer of immediately available funds to a bank account previously designated by Toreador in writing.

3. WORK PROGRAM

3.1 Subject to the terms and conditions of this Agreement, Hess agrees to be delegated the financing and carrying out of the Work Program and to expend \$120,000,000 (one hundred twenty million dollars) with respect to the Work Program, carrying Toreador 100% in respect thereof, meaning, for the avoidance of doubt, that Toreador shall not be responsible for any cost or expense related thereto, provided, that, all costs and expenses incurred in excess of \$120,000,000 (one hundred twenty million dollars) shall be borne by Toreador and Hess in accordance with the relevant Participation Agreement.

3.2 Management Committee.

(a) **To provide for the overall supervision and direction of the Work Program, the Parties shall establish a management committee (the “Management Committee”) of four (4) persons composed of representatives of each of Toreador and Hess. The Management Committee shall act in accordance with the Organizational Rules.**

(b) **Each of Toreador and Hess shall appoint two (2) representatives and one (1) alternate representative to serve on the Management Committee with initial composition as set forth in the Organizational Rules. Each Party shall have the right to change any of its**

representatives or alternate at any time by giving written notice of such change to the other Party. During Phase 1 and Phase 2, the chairman of the Management Committee shall be one of Toreador's members of the Management Committee until Hess becomes operator of record for any of the Permits and thereafter a Hess member shall serve as the chairman. Following Phase 2, the chairman position shall rotate annually.

(c) Subject to the Organizational Rules, the Management Committee shall have the power and duty to determine the operations that are necessary or desirable to fulfill the Work Program in accordance with this Agreement. The Management Committee will determine and approve the budget for the Permits under the Work Program.

(d) The Management Committee may establish such advisory sub-committees as it considers desirable from time to time. The Management Committee shall provide each sub-committee with written terms of reference and any such sub-committee shall be subject to such procedures as the Management Committee may determine.

3.3 Phase 1 Working Interests.

(a) Phase 1 shall commence on the date hereof.

(b) The Parties shall use reasonable endeavors to allow Hess to spud the first well under the Work Program by December 31, 2010, the second well by March 31, 2011 and the third well by June 30, 2011. The 2010 budget and the proposed 2010–2012 timeline for the Work Program are set forth in Exhibit C.

(c) Phase 1 shall be deemed to be completed when Hess Money Spent during Phase 1 equals \$50,000,000 (fifty million dollars) (as agreed by the Parties in accordance with this provision, the "**Phase 1 Completion Date**"), provided that the Phase 1 Completion Date shall be no later than the Phase 1 Completion Deadline. Upon Hess's determination that Hess Money Spent during Phase 1 equals or exceeds \$50,000,000 (fifty million dollars), Hess shall deliver prompt written notice (the "**Phase 1 Completion Notice**") to Toreador setting forth in detail the specifics of the Phase 1 Work performed and its proposed calculation of the Hess Money Spent in respect thereof. Toreador shall have forty-five (45) calendar days from receipt of the Phase 1 Completion Notice to deliver notice to Hess of any objection to the contents thereof. Any dispute relating to the determination of Hess Money Spent during Phase 1 shall be resolved in accordance with Section 14.3. For the avoidance of doubt, Hess Money Spent shall continue to be calculated until the Phase 1 Completion Deadline for purposes of Section 3.5(b) and for purposes of calculating the Resulting Working Interest pursuant to Section 3.4(b) and Section 3.5(c). At any time during Phase 1, Toreador shall have the right at its cost to audit the Hess Money Spent during Phase 1.

(d) Subject to Section 3.3(e), in the event Hess Money Spent does not equal or exceed \$50,000,000 (fifty million dollars) by the Phase 1 Completion Deadline: (i) Hess shall not be entitled to maintain any portion of the Transfer Working Interests, (ii) Hess shall hereby assign, and as promptly as practicable take any and all other action required to assign, back to Toreador the Transfer Working Interests (provided, that, the Working Interest Assignments contemplated by Section 4 have been completed) and, if Hess is then a Co-Titleholder of a

Permit, Hess shall as promptly as practicable take any and all action to surrender title in the Permits, (iii) Hess shall no longer be, and shall lose its election to become, operator under any of the Permits and (iv) Toreador may terminate this Agreement upon the completion of the Parties' existing obligations with respect to the transfer back to Toreador of the Transfer Working Interests and the surrender by Hess of title in the Permits. For the avoidance of doubt, no payment or any other consideration shall be due to Hess as a result of this Section 3.3(d). *Toreador shall not be entitled to any remedy under French law or under this Agreement other than the remedy set out in this Section 3.3(d) unless in the event of gross negligence, fraud or wilful misconduct.*

(e) In the event Hess Money Spent does not equal or exceed \$50,000,000 (fifty million dollars) by the Phase 1 Completion Deadline for reasons which are beyond Hess's control and which can be qualified as Force Majeure, the Phase 1 Completion Deadline shall, subject to the terms of this provision, be extended for the period of time for which Phase 1 has been suspended because Hess has been prevented or hindered from completing Phase 1 Work as a result of Force Majeure. In order to claim Force Majeure Hess shall notify Toreador in writing of the Force Majeure promptly after the occurrence of the facts relied on and shall keep Toreador informed in writing of all significant developments. Such notice shall give reasonably detailed particulars of the Force Majeure and also estimate the period of time which Hess reasonably believes will be required to remedy the Force Majeure. Hess shall use commercially reasonable efforts to remove or overcome the Force Majeure situation as promptly as possible. If the period of time for which a Force Majeure is continuing exceeds six (6) months and Toreador is able to perform, or cause the performance of, the work required under the Work Program, Toreador may, in its sole discretion, be entitled to perform, or cause to be performed, such work at the sole cost and expense of Hess.

3.4 Option to Proceed to Phase 2.

(a) Upon the Phase 1 Completion Date, Hess shall have the option to proceed to Phase 2. Hess shall notify Toreador in writing (an "Election Notice") at any time after the Phase 1 Completion Date, but no later than fifteen (15) calendar days prior to the Phase 1 Completion Deadline, of its election whether it so elects to proceed with Phase 2. Such election shall be conditioned on the agreement of the Parties in accordance with Section 3.3(c) that Hess Money Spent during Phase 1 equals or exceeds \$50,000,000 (fifty million dollars) (if such agreement has not been reached prior to the date of the Election Notice). There shall be no penalty to Hess (including, for the avoidance of doubt, any requirement to incur any future expenditures under this Agreement, other than in accordance with the terms and conditions of the Participation Agreements) solely for an election by Hess to not enter Phase 2. A failure by Hess to timely provide an Election Notice shall be deemed an election by Hess not to proceed to Phase 2.

(b) If the Parties agree in accordance with Section 3.3(c) that the Phase 1 Completion Date has occurred and Hess has elected (or deemed to have elected) not to proceed to Phase 2: (i) Hess shall maintain the Resulting Working Interest in each of the Permits, (ii) Hess shall hereby assign, and as promptly as practicable take any and all other action required to assign, back to Toreador the Working Interest Balance (provided, that, the Working Interest Assignments contemplated by Section 4 have been completed), (iii) Hess shall no longer be, and shall lose its election to become, operator under any of the Permits and (iv) Toreador may

terminate this Agreement upon the completion of the Parties' existing obligations with respect to the Working Interest Assignments and the grant of title to the Permits. For the avoidance of doubt, no payment or any other consideration shall be due to Hess as a result of this Section 3.4(b).

3.5 Phase 2 Working Interest.

(a) If Hess elects to proceed to Phase 2, Phase 2 shall commence upon the calendar day following the earlier of the Phase 1 Completion Deadline or the date on which Hess Money Spent during Phase 1 equals or exceeds \$50,000,000 (fifty million dollars) as determined in accordance with Section 3.3(c).

(b) Phase 2 shall be deemed to be completed when Hess Money Spent during Phase 2 equals \$70,000,000 (seventy million dollars) (less, Hess Money Spent during Phase 1 in excess of \$50,000,000 (fifty million dollars), if any) (as agreed by the Parties in accordance with this provision, the "**Phase 2 Completion Date**"), provided, that, the Phase 2 Completion Date shall be no later than the Phase 2 Completion Deadline. Upon Hess's determination that Hess Money Spent during Phase 2 equals \$70,000,000 (seventy million dollars) (as may be adjusted pursuant to this Section 3.5(b)), Hess shall deliver prompt written notice to Toreador setting forth in detail its proposed calculation of the Hess Money Spent during Phase 2 (the "**Phase 2 Completion Notice**"). Toreador shall have forty-five (45) calendar days from receipt thereof to deliver to Hess notice of any objection to the calculation of Hess Money Spent during Phase 2 as set forth in the Phase 2 Completion Notice. Any dispute relating to the determination of whether Hess Money Spent during Phase 2 equals \$70,000,000 (seventy million dollars) (as may be adjusted pursuant to this Section 3.5(b)) shall be resolved in accordance with Section 14.3. At any time during Phase 2, Toreador shall have the right at its cost to audit the proposed Hess Money Spent during Phase 2.

(c) Subject to Section 3.5(d), in the event Hess Money Spent does not equal \$70,000,000 (seventy million dollars) (as may be adjusted pursuant to Section 3.5(b)) by the Phase 2 Completion Deadline: (i) Hess shall maintain its Resulting Working Interests, (ii) Hess shall hereby assign, and as promptly as practicable take any and all other action required to assign, back to Toreador the Working Interest Balance (provided, that, the Working Interest Assignments contemplated by Section 4 have been completed), (iii) Hess shall no longer be, and shall lose its election to become, operator under any of the Permits and (iv) Toreador may terminate this Agreement upon the completion of the Parties' existing obligations with respect to the Working Interest Assignments and the grant of title to the Permits. For the avoidance of doubt, no payment or any other consideration shall be due to Hess as a result of this Section 3.5(c). *Toreador shall not be entitled to any remedy under French law or under this Agreement other than the remedy set out in this Section 3.5(c) unless in the event of gross negligence, fraud or wilful misconduct.*

(d) In the event Hess Money Spent does not equal or exceed \$70,000,000 (seventy million dollars) (as may be adjusted pursuant to Section 3.5(b)) by the Phase 2 Completion Deadline for reasons which are beyond Hess's control and which can be qualified as Force Majeure, the Phase 2 Completion Deadline shall, subject to the terms of this provision, be extended for the period of time for which Phase 2 has been suspended because Hess has been

prevented or hindered from completing Phase 2 Work as a result of Force Majeure. In order to claim Force Majeure Hess shall notify Toreador in writing of the Force Majeure promptly after the occurrence of the facts relied on and shall keep Toreador informed in writing of all significant developments. Such notice shall give reasonably detailed particulars of the Force Majeure and also estimate the period of time which Hess reasonably believes will be required to remedy the Force Majeure. Hess shall use commercially reasonable efforts to remove or overcome the Force Majeure situation as promptly as possible. If the period of time for which a Force Majeure is continuing exceeds six (6) months and Toreador is able to perform, or cause the performance of, the work required under the Work Program, Toreador may, in its sole discretion, be entitled to perform, or cause to be performed, such work at the sole cost and expense of Hess.

(e) Following the Phase 2 Completion Date, Toreador and Hess shall bear the costs of any subsequent exploration, appraisal and development activity in relation to the Permits in accordance with the relevant Participation Agreement.

3.6 Enforcement of Transfer-Back Obligations. For purposes of Sections 3.3(d), 3.4(b) and 3.5(c), Hess hereby grants to Toreador an irrevocable mandate for Toreador to act in the name, and on behalf of, Hess, and at Hess's expense, in order to take any actions to complete the transfer back to Toreador of the Transfer Working Interests or the Working Interest Balance (including pursuant to the terms of the relevant Participation Agreement) and the surrender of title to the Permits as may be required by Sections 3.3(d), 3.4(b) and 3.5(c). Hess acknowledges that Toreador is entering into this Agreement in consideration that Hess is irrevocably bound by such transfer obligations under the terms and conditions of Sections 3.3(d), 3.4(b) and 3.5(c) and hereby irrevocably waives its right to revoke these transfer obligations and renounces the provisions of Article 1142 of the French Civil Code. As a result, the Parties agree that should Hess fail to perform such transfer obligations in accordance with Sections 3.3(d), 3.4(b) and 3.5(c), Toreador shall be entitled to obtain enforcement (*exécution forcée*) of such transfer obligations, without prejudice to its right to obtain damages for loss suffered from this failure by Hess to perform such transfer-back obligation.

4. ASSIGNMENT OF WORKING INTERESTS, GRANT OF TITLE AND PARTICIPATION AGREEMENTS

4.1 Assignment of Transfer Working Interests.

(a) Subject to the terms and conditions of this Agreement, including, without limitation Sections 3.3, 3.5 and this Section 4.1, by the Parties' execution of this Agreement, Toreador hereby assigns to Hess, and Hess agrees to accept, the Transfer Working Interests (such assignments, the "Working Interest Assignments").

(b) As promptly as practicable but no later than seven (7) calendar days following the date hereof, the Parties shall notify the French Administration of this Agreement. Each Working Interest Assignment shall be subject to the approval or deemed approval by the French Administration within sixty (60) calendar days of submission thereof (or such extended period as may be advised by the French Administration in writing) (each such approval, a "Government Approval"). The Parties shall cooperate to submit to the French Administration any other supporting documentation as may be required by the French Administration in order to obtain the

Government Approvals, including, without limitation, a copy of this Agreement (or a French translation or French summary thereof in an agreed form) and any documentation required by the French Administration to evaluate the financial capacities of Hess.

(c) In the case of each Wholly Owned Permit, the Working Interest Assignment shall be subject to, and effective on the date of, the Government Approval for such Wholly Owned Permit.

(d) In the case of each Non-Wholly Owned Permit, the Working Interest Assignment shall be subject to, and effective on the date of the last to occur of: (i) the Government Approval for such Non-Wholly Owned Permit, (ii) the waiver by the other party or parties thereto of their preemptive rights (if any) with respect to such Working Interest Assignment and (iii) the execution by Hess, Toreador and such other party or parties of an amendment and novation of the existing participation agreement between Toreador and such other party or parties governing the operations on such Non-Wholly Owned Permit to reflect Hess's Transfer Working Interest.

(e) In the case of each Wholly Owned Pending Permit, the Working Interest Assignment shall be subject to, and effective on the date of the last to occur of: (i) the Government Approval for such Wholly Owned Pending Permit and (ii) the grant by the French Administration of the Wholly Owned Pending Permit to Toreador.

(f) In the case of each Non-Wholly Owned Pending Permit, the Working Interest Assignment shall be subject to, and effective on the date of the last to occur of: (i) the Government Approval for such Non-Wholly Owned Pending Permit, (ii) the grant by the French Administration of the Non-Wholly Owned Pending Permit to Toreador and such other party or parties and (iii) the execution by Hess, Toreador and such other party or parties of a participation agreement governing the operations on such Non-Wholly Owned Pending Permit.

(g) Toreador and Hess shall each use its commercially reasonable efforts to obtain the satisfaction of each of the conditions set forth in Sections 4.1(c), (d), (e) and (f), and a Party shall provide prompt written notice to the other Party when any of such conditions has been satisfied.

4.2 Grant of Title to Permits.

(a) Promptly upon the effectiveness of the Working Interest Assignment in a Wholly Owned Permit in accordance with Section 4.1(c), the Parties shall execute and submit to the French Administration a *demande de mutation* (including a *convention de mutation*).

(b) Promptly upon the effectiveness of the Working Interest Assignment in a Non-Wholly Owned Permit in accordance with Section 4.1(d), the Parties shall execute, and shall use commercially reasonable efforts to cause the other party or parties to the Non-Wholly Owned Permit to execute, and submit to the French Administration a *demande de mutation* (including a *convention de mutation*).

(c) Promptly upon the effectiveness of the Working Interest Assignment in a Wholly Owned Pending Permit in accordance with Section 4.1(e), the Parties shall execute and

submit to the French Administration a *demande de mutation* (including a *convention de mutation*),

(d) Promptly upon the effectiveness of the Working Interest Assignment in a Non-Wholly Owned Pending Permit in accordance with Section 4.1(f), the Parties shall execute, and shall use commercially reasonable efforts to cause the other party or parties to the Non-Wholly Owned Pending Permit to execute, and submit to the French Administration a *demande de mutation* (including a *convention de mutation*).

(e) The Parties shall cooperate to submit to the French Administration any other supporting documentation as may be required by the French Administration in order for Hess to become a Co-Titleholder in the Permits.

(f) Grant of title to the Permits to reflect Hess as a co-titleholder in a Permit (a “**Co-Titleholder**”) shall be effective on the date of the publication of the grant of such title in the *Journal Officiel de la République Française*.

4.3 Participation Agreements.

(a) Promptly upon the effectiveness of the Working Interest Assignment in a Wholly Owned Permit in accordance with Section 4.1(c), Toreador and Hess shall create a *société en participation* in respect to, and enter into and execute an individual participation agreement to govern the operations on, such Wholly Owned Permit in the form attached hereto as Exhibit I, and an accounting procedure, the form of which is attached hereto as Exhibit J.

(b) Promptly upon the effectiveness of the Working Interest Assignment in a Wholly Owned Pending Permit in accordance with Section 4.1(e), Toreador and Hess shall create a *société en participation* in respect to, and enter into and execute an individual participation agreement for the exploration of, and to govern the operations on, such Wholly Owned Pending Permit in the form attached hereto as Exhibit I, and an accounting procedure, the form of which is attached hereto as Exhibit J.

(c) The participation agreements referred to in Sections 4.1(d), 4.1(f), 4.3(a) and 4.3(b) shall be herein referred to collectively as the “**Participation Agreements**,” and each, a “**Participation Agreement**.” Subject to Section 15.9, each Participation Agreement shall govern the operations on the relevant Permit and the Parties’ obligations with respect thereto.

(d) Upon the French Administration granting Hess title to a Permit in accordance with Section 4.2, the Parties shall cooperate to submit the relevant Participation Agreement to the French Administration as soon as reasonably practicable.

(e) The Parties undertake to agree and finalize the forms of acknowledgement agreement and special agreement on the basis of the documents attached hereto as Exhibit K and Exhibit L, respectively. Should the Parties fail to agree on the form of such agreements within sixty (60) calendar days of the date hereof, the acknowledge agreement and the special agreement attached hereto as Exhibit K and Exhibit L, respectively, shall be deemed to be agreed by the Parties.

5. **AREA OF MUTUAL INTEREST**

5.1 The Parties have designated an area of mutual interest as set forth on Annex B (the “**Area of Mutual Interest**”).

5.2 Subject to Section 5.4, from the date hereof and until this Agreement terminates, if any Party or any of its respective Affiliates (the “**Acquiring Party**”) directly or indirectly acquires or agrees to acquire a permit in the Area of Mutual Interest or any working interest or other interest or any contract right, including pursuant to a farm-in agreement, related thereto (each, an “**Acquired Interest**”), the Acquiring Party shall offer in writing to the other Party (the “**Non-Acquiring Party**”) within thirty (30) calendar days of the acquisition of such exploration permit in respect of such Acquired Interest or the execution of an agreement to acquire such Acquired Interest, the right to acquire 50% in the Acquired Interest (the “**Offered Interest**”) on the same terms and conditions by which the Acquiring Party has acquired or will acquire the Acquired Interest, including (x) the consideration paid by the Acquiring Party and (y) the Acquiring Party’s reasonable out-of-pocket costs and expenses directly incurred in connection with the acquisition of the Acquired Interest (the “**Transaction Costs**”). The Non-Acquiring Party shall provide written notice to the Acquiring Party within thirty (30) calendar days after receipt of such notice as to the Non-Acquiring Party’s election as to whether it will acquire the Offered Interest on such terms and conditions. Failure of the Non-Acquiring Party to timely provide such notice shall be deemed an election by the Non-Acquiring Party not to acquire the Offered Interest.

5.3 Upon (x) the Non-Acquiring Party’s timely election to acquire the Offered Interest and (y) reimbursement by the Non-Acquiring Party of (i) 50% of the consideration paid by the Acquiring Party and (ii) 50% of the Transaction Costs, the Acquiring Party shall as promptly as reasonably practicable effect the transfer of the Offered Interest to the Non-Acquiring Party.

5.4 Notwithstanding the above, if, from the date hereof and until this Agreement terminates, an Acquiring Party intends or proposes to make an application to the French Administration for a permit (the “**Proposed Application Interest**”), then the Acquiring Party must give notice in writing to the Non-Acquiring Party of its intention to apply for such Proposed Application Interest and the proposed terms and conditions thereof and shall offer the Non-Acquiring Party the opportunity to join the Acquiring Party in applying for the Proposed Application Interest. The Non-Acquiring Party shall provide written notice to the Acquiring Party within thirty (30) calendar days after receipt of such notice as to the Non-Acquiring Party’s election as to whether it will join the Acquiring Party in submitting an application to obtain the Proposed Application Interest. Failure of the Non-Acquiring Party to timely provide such notice shall be deemed an election by the Non-Acquiring Party not to join the Acquiring Party in submitting an application to obtain the Proposed Application Interest. If the Non-Acquiring Party elects not to join the Acquiring Party in making such an application, Section 5.2 shall not apply; provided, however, that if the French Administration subsequently proposes a substantive change to the application, then the Acquiring Party must give a new notice to the Non-Acquiring Party in accordance with this Section 5.4.

5.5 Any permit jointly obtained in accordance with this Section 5 shall be subject to the terms and conditions of this Agreement, including, without limitation for purposes of Section 8.

6. **TERMINATION**

6.1 If Government Approval is refused for each and every Wholly Owned Permit, this Agreement shall immediately terminate, unless otherwise agreed by the Parties, and Toreador shall repay to Hess within thirty (30) calendar days the Acquisition Fee by wire transfer of immediately available funds to a bank account designated by Hess in writing. The Working Interest Assignments shall thereafter have no force or effect, and Hess shall have no Transfer Working Interest whatsoever in the Permits and shall be deemed to have reassigned any rights or equitable interest it may have acquired under this Agreement to Toreador retroactive to the date of this Agreement.

6.2 If Government Approval is obtained for at least one but not all the Wholly Owned Permits, Hess shall have the right, but not the obligation, to terminate this Agreement by providing written notice to Toreador, such right of termination expiring fifteen (15) calendar days after the date on which Government Approval (or refusal, as the case may be) for the last of the Wholly Owned Permits is obtained. If Hess exercises such termination right, Toreador shall, within ninety (90) calendar days after such termination of this Agreement, reimburse Hess for (a) Hess Money Spent until the date on which Government Approval (or refusal, as the case may be) for the last of the Wholly Owned Permits is obtained (with interest calculated as EUROLIBOR three (3) months rate plus four (4.0) percentage points) and (b) the Acquisition Fee, by wire transfer of immediately available funds to a bank account designated by Hess in writing. The Working Interest Assignments shall have no force or effect, and Hess shall thereafter have no Transfer Working Interest whatsoever in the Permits and shall be deemed to have reassigned any rights or equitable interest it may have acquired under this Agreement to Toreador retroactive to the date of this Agreement.

6.3 Subject to Sections 3.3(e) and 3.5(d), Toreador may terminate this Agreement if (a) Hess Money Spent does not equal or exceed \$50,000,000 (fifty million dollars) by the Phase 1 Completion Deadline, (b) Hess does not elect to proceed to Phase 2, or (c) Hess Money Spent does not equal \$70,000,000 (seventy million dollars) (as may be adjusted pursuant to Section 3.5(b)) by the Phase 2 Completion Deadline, provided, that, in the case of (b) or (c) above, (x) the Working Interest Assignments contemplated by Section 4, and, as the case may be, transfer back obligations referred to in Section 3, have been completed and (y) each Participation Agreement shall remain in full force and effect thereafter in accordance with its terms.

6.4 Unless earlier terminated by (a) mutual written agreement of both Parties, (b) under Section 6.1, (c) by Toreador under Section 6.3 or (d) by Hess under Section 6.2, this Agreement shall terminate ten (10) years after the date hereof, provided that each Participation Agreement shall remain in full force and effect thereafter in accordance with its terms to the extent applicable.

6.5 Sections 8, 11, 12, 13, 14 and 15 shall survive any termination of this Agreement.

7. **OPERATORSHIP**

7.1 Toreador shall remain the operator of record of such Permits for which it is operator until such time as Hess has become a Co–Titleholder of such Permit. Upon Hess becoming a Co–Titleholder of a Permit, Hess may, subject to Section 7.4 below, elect to become the operator of record of such Permit. If Hess so elects to become operator, it shall provide Toreador with written notice specifying the Permit(s) on which Hess wishes to become operator, and Toreador shall thereafter resign as operator of such Permits in accordance with the provisions of the relevant Participation Agreement. Upon receiving such notice, Toreador and Hess shall cooperate to submit to the French Administration such documentation as may be required by the French Administration in order to effect such transfer of operatorship. For the avoidance of doubt, no payment nor any other consideration shall be due to Toreador as a result of Toreador’s ceasing to be the operator of the Permits.

7.2 Until such time as Hess is the operator of record on each Wholly–Owned Permit and, as the case may be, each Wholly–Owned Pending Permit which would be granted by the French Administration, Toreador shall delegate to Hess the operator’s duties and powers relating to the monitoring and carrying out of drilling activities in the Permit’s acreage as well as other geological and geophysical activities related to such drilling and such other duties and powers as determined by the Management Committee.

7.3 If (a) Hess Money Spent does not equal or exceed \$50,000,000 (fifty million dollars) by the Phase 1 Completion Deadline, (b) Hess does not elect to proceed to Phase 2, or (c) Hess Money Spent does not equal \$70,000,000 (seventy million dollars) (as may be adjusted pursuant to Section 3.5(b)) by the Phase 2 Completion Deadline, Hess shall no longer be, and shall lose its election to become, operator under any of the Permits. If Hess is then an operator on any Permit, it shall immediately resign as operator, and operatorship shall revert to Toreador in accordance of the provisions of the relevant Participation Agreement. For the avoidance of doubt, no payment nor any other consideration shall be due to Hess as a result of Hess’s ceasing to be the operator of the Permits.

7.4 The Parties shall use commercially reasonable efforts to have Hess appointed as operator of the Non–Wholly Owned Permits and Non–Wholly Owned Pending Permits.

8. **SUCCESS FEES**

8.1 **Reserves Success Fee.**

(a) Hess shall pay Toreador a success fee (the “**Reserves Success Fee**”) of \$1.00 per bbl of Reserves as agreed by the Parties in accordance with Section 8.1(c).

(b) The Reserves Success Fee shall be calculated and payable annually. Beginning with the second year the Reserves Success Fee may be payable, the Reserves Success Fee shall be payable only in respect of Reserves additions booked in excess of the Reserves from the previous year. In no event shall the Reserves Success Fee be less than \$0 (zero dollars).

(c) Within sixty (60) calendar days following Hess’s fiscal year–end, Hess shall provide Toreador with a written notice setting forth its proposed Reserves (consistent with its

annual reserves report filed with the SEC if it is, at that time, required to file an annual report with the SEC) (the “**Proposed Reserves**”). Toreador shall have thirty (30) calendar days from receipt thereof to deliver notice to Hess of any objection to the Proposed Reserves; thereafter, Toreador may, at its sole cost, engage either Degolyer & MacNaughton or Ryder Scott Petroleum Consultants to complete an evaluation of the Reserves, such conclusion to be final and binding on the Parties for the purposes of calculating the Reserves Success Fee. If Toreador fails to timely provide notice of an objection to the Proposed Reserves, the Proposed Reserves shall be the Reserves for purposes of this Section 8.1.

(d) The Reserves Success Fee shall be payable by Hess within thirty (30) calendar days of agreement by the Parties of the Reserves in accordance with Section 8.1(c) by wire transfer of immediately available funds to a bank account designated by Toreador in writing.

(e) Subject to Section 8.3, the Reserves Success Fee shall be payable by Hess to Toreador for so long as, and until, Hess has paid \$80,000,000 (eighty million dollars) (the “**Reserves Success Fee Cap**”) to Toreador in respect of its obligations under this Section 8.1.

8.2 Production Success Fee.

(a) If gross production from within the Gross Acreage from which Hess is receiving any revenue, exceeds a rate of 20,000 bbl per day for thirty (30) consecutive calendar days (the “**Production Trigger**”), then Hess shall pay Toreador a production success fee (the “**Production Success Fee**”) equal to 10% (ten percent) of Hess Revenue.

(b) The Production Success Fee shall be calculated and payable monthly, beginning with the first full calendar month following the Production Trigger. The Production Success Fee shall be payable by Hess to Toreador within sixty (60) calendar days of each month-end by wire transfer of immediately available funds to a bank account designated by Toreador in writing, such payment to be accompanied by a detailed monthly statement setting forth Hess’s calculation of such month’s Production Success Fee. Notwithstanding anything herein to the contrary, Toreador shall have the right to audit at its sole cost the accounts and records of Hess relating to the Production Success Fee for twenty four (24) months following receipt of a given monthly statement. Any dispute relating to the determination of the Production Success Fee shall be resolved in accordance with Section 14.3.

(c) Subject to Section 8.3, the Production Success Fee shall be payable by Hess to Toreador until the earlier of thirty-six (36) months following the date the Production Trigger occurs or until Hess has paid to Toreador \$50,000,000 (fifty million dollars) (the “**Production Success Fee Cap**”) in respect of its obligations under this Section 8.2.

8.3 Adjustment. If, at the Phase 1 Completion Deadline, the Acreage Delivered is less than 90% of the Acreage Represented, then the Reserves Success Fee Cap and the Production Success Fee Cap shall each be reduced by the same percentage by which the Acreage Delivered falls below 90% of the Acreage Represented. For example, if Acreage Delivered equals 966,450 gross acres, then Acreage Delivered would be 85% of the Acreage Represented. Thus, the Reserves Success Fee Cap would be reduced by 5% ($90\% - 85\% = 5\%$) or by \$4,000,000 (four million dollars) to \$76,000,000 (seventy six million dollars), and the Production Success Fee Cap

would be reduced by 5% (90%–85%=5%) or \$2,500,000 (two million five hundred thousand dollars) to \$47,500,000 (forty seven million five hundred thousand dollars).

8.4 Transfer of Success Fee Obligations. Notwithstanding any other provision of this Agreement, Hess shall not sell, assign, farm out, transfer or otherwise dispose of or create any encumbrance over all or any part of its Transfer Working Interests unless the transferee agrees to be bound by the terms of this Section 8, and Hess shall be responsible for any failure by such transferee to comply with the terms hereof.

9. **TRANSFER RESTRICTIONS**

9.1 From the date hereof and during Phase 1, Hess shall not sell, assign, farm out, transfer or otherwise dispose of or create any encumbrance over all or part of the Transfer Working Interests.

9.2 From the date hereof until the date on which Government Approval (or refusal, as the case may be) for the last of the Wholly Owned Permits is obtained, Toreador shall not assign, farm out, transfer or sell all or part of the Original Working Interest to a third party.

9.3 From the date hereof until the Phase 2 Completion Date, if a Party wishes to transfer a working interest in a Non–Wholly Owned Permit or a Non–Wholly Owned Pending Permit to any other party to a Participation Agreement for such Permit, it shall send to the other Party a written notice in connection with such contemplated transfer and the Parties shall enter into good faith discussions in relation to agreeing terms and conditions for such contemplated transfer. If the Parties fail to agree within sixty (60) calendar days from the receipt of such notice, the Party wishing to make such transfer to such other party shall be permitted to do so.

9.4 From the date hereof until the Phase 2 Completion Date, Toreador shall not transfer or assign more than 40% (forty percent) of the Original Working Interest in a Permit.

9.5 During Phase 2, Hess shall only be permitted to assign an interest in each Permit up to the Resulting Working Interest.

9.6 Notwithstanding the above, a Party shall be entitled to assign or transfer all or part of its interest in a Permit to an Affiliate, provided, that, such Party shall also assign its corresponding rights and obligations pursuant to this Agreement.

9.7 Subject to the other provisions in this Section 9, the relevant Participation Agreement shall govern the terms of any proposed assignment, farm–out, transfer or sale of a working interest in any Permit by either Party, including any preemptive right.

10. **REPRESENTATIONS AND WARRANTIES OF THE PARTIES**

10.1 Toreador Representations and Warranties. Toreador makes the following representations and warranties as of the date hereof:

(a) Toreador holds the rights to the Original Working Interests in the Wholly Owned Permits and Non–Wholly Owned Permits, free and clear of any liens, claims, burdens or

encumbrances, other than (i) any preemptive or other rights set forth in the relevant participation agreement, a copy of which has been provided to Hess and (ii) the liens, claims, burdens or encumbrances in favor of the French Administration according to the terms of the Permits and applicable laws. Each Wholly Owned Permit and Non-Wholly Owned Permit is in full force and effect and no notice of default, termination, or breach under such Wholly Owned Permit or Non-Wholly Owned Permit has been received by Toreador nor, to the best of its knowledge, any other party to a Non-Wholly Owned Permit. Each Wholly Owned Permit or Non-Wholly Owned Permit, together with applicable laws, contains the entirety of the obligation of Toreador to the French Administration, and no other understanding or agreement exists between Toreador and the French Administration, in relation to the subject matter of such Wholly Owned Permit or Non-Wholly Owned Permit.

(b) Toreador has provided Hess with a complete and correct copy of each Permit and the relevant participation agreement for each Non-Wholly Owned Permit. Where Toreador has provided any translation of a Permit, participation agreement or any related document, Toreador has done so as a courtesy to Hess, and Toreador makes no representation or warranty as to the accuracy of the translation.

(c) Toreador is not party to any material litigation, arbitration or administrative proceeding that would prevent the consummation of Working Interest Assignments contemplated by this Agreement.

(d) To the best of its knowledge, the Wholly Owned Permits have been owned and operated by Toreador in compliance in all material respects with applicable laws, including environmental laws, with respect to the operation of, and the abandonment of wells (if any) on, the Wholly Owned Permits. To the best of its knowledge, no environmental claim has been commenced that is reasonably likely to be adversely determined against Toreador and which, if so determined, is likely to materially prejudice or endanger, in any manner, the Transfer Working Interests.

10.2 Hess Representations and Warranties. Hess makes the following representations and warranties to Toreador as of the date hereof:

(a) Hess or its Affiliates have sufficient technical capability, personnel and resources to fulfill Hess's obligations under this Agreement in compliance with all applicable laws as well as applicable industry safety, health and environmental standards.

(b) Hess or its Affiliates have sufficient cash, available lines of credit or other sources of immediately available funds to enable it to fulfill all of its obligations under this Agreement.

10.3 Mutual Representations and Warranties. Each Party makes the following representations and warranties to each other Party as of the date hereof:

(a) Each Party is duly organized and validly existing under the laws of the jurisdiction where it is organized. Each Party has all requisite corporate or other power and authority to enter into this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by

each Party and constitutes a legal, valid and binding obligation of each Party, enforceable against each Party in accordance with its terms.

(b) The execution, delivery, and performance of this Agreement by each Party, the consummation of the transactions contemplated hereby, and the compliance with the provisions hereof will not, to the best of its knowledge:

- (i) violate any applicable laws or regulations, judgment, decree or award;
- (ii) contravene the organizational documents of a Party; or
- (iii) result in a violation of a term or provision, or constitute a default or accelerate the performance of any obligation under any contract or agreement executed by a Party hereto, except, with respect to this Section 10.3(b)(iii), as would not have a material adverse effect.

(c) Neither Party nor, to the best of its knowledge, its Affiliates or any person acting on its or their behalf has, in connection with the matters which are the subject of this Agreement, taken any action, directly or indirectly, that would result in a violation by such persons of the U.S. Foreign Corrupt Practices Act of 1977 or the principles described in the OECD Convention.

10.4 Indemnification. The representations and warranties of the Parties in this Agreement shall survive for two (2) years from the date hereof. Each of the Parties agrees to indemnify and hold the other Party harmless for any claims, causes of action or liabilities, which arise out of the breach of any of the warranties and representations herein by the indemnifying Party.

10.5 Disclaimer of Other Representations and Warranties. Except for the representations and warranties explicitly made in this Agreement, Toreador makes no, and disclaims any, warranty or representation of any kind, either express, implied, statutory, or otherwise, including, without limitation, the accuracy or completeness of any data, reports, records, projections, information, or materials or with respect to any Permit, reserves or production rates now, heretofore, or hereafter furnished or made available to Hess in connection with this Agreement.

10.6 In this Section 10 the phrase "to the best of its knowledge" shall mean that the statement is deemed to have been made after all reasonable enquiry in the context of this Agreement of those employees who have direct responsibility for the matter in question and might reasonably be expected to be in possession of information relevant to the same.

11. TAX

11.1 Tax Obligations.

(a) The *société en participation* to be created in respect to each Permit shall be tax transparent for French tax purposes and (i) the identity of its partners shall be disclosed to the French tax authorities no later than by the end of the first fiscal quarter following the end of the

fiscal year in which Hess becomes a partner in such *société en participation* and (ii) such partners shall be unlimited partners.

(b) Each Party shall be responsible for reporting and discharging its own tax measured by the profit or income of the Party and the satisfaction of such Party's share of all obligations under this Agreement. Each Party shall protect, defend and indemnify each other Party from any and all loss, cost or liability arising from the indemnifying Party's failure to report and discharge such taxes or satisfy such obligations. The Parties intend that all income and all tax benefits (including deductions, depreciation, credits and capitalization) with respect to the expenditures made by the Parties hereunder will be allocated by the French tax authorities to the Parties based on the share of each tax item actually received or borne by each Party. If such allocation is not accomplished due to the application of the laws or regulations or other government action, the Party that has actually benefited through a reduction in income or received additional tax benefits over the amount based on the share of each tax item actually received or borne by that respective Party, shall make a payment to the other Party to ensure that the other Party is in the same after tax position as if the income and all tax benefits with respect to the expenditure made by the Parties hereunder had been allocated by the French tax authorities to the Parties based on the share of each item actually received or borne by each Party. No payment shall be due by a Party under this Section 11.1(b) if the tax benefit of such Party does not result in a decrease of the corporate tax actually paid by such Party.

(c) Hess shall be solely responsible for bearing any transfer taxes in connection with the acquisition of the Transfer Working Interests.

(d) Where any VAT is or become chargeable in respect of any amounts due under this Agreement, such amounts shall be increased by a sum equal to the VAT so chargeable at the standard rate, currently 19.6%. For this purpose, any Party receiving a payment under this Agreement shall deliver a valid invoice to the Party making such payment, showing the amount of VAT payable under the applicable legislation.

(e) If the Tax authority determines in writing that VAT is not due in respect of any payment made between the parties under this Agreement, then the Party having issued the relevant VAT invoice shall issue to the other Party a revised invoice and shall (i) use its best endeavors vis-à-vis the Tax authority to obtain a refund of the VAT initially paid to the Tax authority and (ii) reimburse such VAT to the other Party, provided that such VAT has been recovered from the Tax Authority

12. CONFIDENTIALITY

12.1 Except as otherwise provided in the Participation Agreements (which confidentiality provisions will prevail in the event of any conflict between Section 12 of this Agreement and the confidentiality provisions of any of the Participation Agreements), each Party agrees that all information disclosed under this Agreement or in connection with the Parties' obligations hereunder, except information in the public domain or lawfully in possession of a Party prior to the date hereof, shall be considered confidential and shall not be disclosed to any other person or entity without the prior written consent of the Party which owns such confidential information. This obligation of confidentiality shall remain in force during the term

of this Agreement and for a period of two years thereafter. Notwithstanding the foregoing, confidential information may be disclosed without consent and without violating the obligations contained in this Article in the following circumstances:

- (a) to an Affiliate provided the Affiliate is bound to the provisions of this Section 12.1 and the Party disclosing is responsible for the violation of an Affiliate;
- (b) to the French Administration or other government entity when required by a Permit;
- (c) to the extent such information is required to be furnished in compliance with applicable laws or regulations, or pursuant to any legal proceedings or because of any order of any court binding upon a Party;
- (d) to attorneys engaged, or proposed to be engaged, by any Party and such attorneys are bound by an obligation of confidentiality;
- (e) to contractors and consultants engaged, or proposed to be engaged, by any Party where disclosure of such information is essential to such contractor's or consultant's work for such Party;
- (f) to a bona fide prospective transferee of a Party's working interest, or portion thereof, to the extent appropriate in order to allow the assessment of such working interest (including an entity with whom a Party and/or its Affiliates are conducting bona fide negotiations directed toward a merger, consolidation or the sale of a majority of its or an Affiliate's shares);
- (g) to a bank or other financial institution to the extent appropriate to a Party arranging for funding;
- (h) to the extent such information must be disclosed pursuant to any rules or requirements of any government, government agency or commission or stock exchange having jurisdiction over such Party or its Affiliates;
- (i) to its respective employees, subject to each Party taking sufficient precautions to ensure such information is kept confidential;
- (j) to the extent any information which, through no fault of a Party, becomes a part of the public domain; and
- (k) to a party to a Participation Agreement for a Permit (other than a Party) or to the French Administration solely to the extent as may be required to satisfy the conditions detailed in Section 4.

12.2 Disclosure as pursuant to Sections 12.1(e), 12.1(f) and 12.1(g) shall not be made unless prior to such disclosure the disclosing Party has obtained a written undertaking from the recipient party to keep the information strictly confidential for at least as long as the period set out above and to use the information for the sole purpose described in Sections 12.1(e), 12.1(f) and 12.1(g) whichever is applicable, with respect to the disclosing Party.

12.3 The Parties shall not use, nor permit the use of, such confidential information for any other purpose other than for the transaction contemplated by this Agreement.

13. **NOTICES.**

13.1 **Notices.** All notices authorized or required between the Parties by any of the provisions of this Agreement shall be in writing (in English and in French for any notices which are sent to the French Administration) and delivered in person, by courier service or facsimile and properly addressed to the other Party. Verbal communication does not constitute notice for purposes of this Agreement, and e-mail addresses and telephone numbers for the Parties are listed below as a matter of convenience only. A notice given under any provision of this Agreement shall be deemed delivered only when received by the Party to whom such notice is directed, and the time for such Party to deliver any notice in response to such originating notice shall run from the date the originating notice is received. **“Received”** for purposes of this Article shall mean actual delivery of the notice to the address of the Party specified hereunder.

Toreador Energy France S.C.S.

Address: 9 rue Scribe, 75009 Paris, France
Attention: Craig M. McKenzie
Facsimile: +33 1 47 03 33 71
Email: cmckenzie@toreador.net
Telephone: +33 1 47 03 34 24

with a copy to:

Willkie Farr & Gallagher LLP
21-23, rue de la Ville l'Evêque
75008 Paris
Attn: Laurent Faugérolas
Fax: + 33 1 40 06 96 06

Hess Oil France S.A.S

Address: 500 Dallas Street, Houston, TX 77002
Attention: Mr. J.W. Wesley
Facsimile: 1-713-609-5608
Email: jwesley@hess.com
Telephone: 1-713-609-5876

14. **LAW AND DISPUTE RESOLUTION**

14.1 **Governing Law.** This Agreement shall be governed by French law. The Dispute Resolution clause, as regards both its validity, interpretation and its application and its termination or the consequences shall be governed by French law and, in particular, by the provisions of the French Civil Procedure Code.

14.2 Dispute Resolution.

(a) Subject to Section 14.3, the Parties shall attempt to resolve amicably any dispute that arises concerning this Agreement's validity, interpretation, application, termination, rescission and the consequences thereof. If a dispute arises and if the Parties fail to resolve it amicably within sixty (60) calendar days from its formal acknowledgement, notified by one of the Parties to the others, the dispute shall be submitted for arbitration and shall be handled in accordance with the arbitration rules of the International Chamber of Commerce in Paris, by three arbitrators, in accordance with these rules. Any such arbitration shall take place in Paris. The language of the arbitration hearings shall be the English language.

(b) The arbitration decision shall be written and reasoned. It shall be drawn up in the forms required for its exequatur to be obtained. The arbitrators shall not act as *amiables compositeurs (ex equo et bono)*. The arbitration decision shall determine and divide between the Parties the costs of the arbitration proceedings, including the arbitrators' fees.

(c) The arbitration decision shall be the final judgment on the dispute. The Parties agree not to appeal the arbitration decision and not to oppose enforcement before a court or a governmental authority.

(d) A Party that, as a result of its refusal to execute the arbitration decision forces the other Party to initiate legal proceedings to obtain the execution thereof, shall bear all of the expenses of the execution procedure.

(e) If arbitration proceedings are initiated, such proceedings shall not suspend or modify in any way the Parties' obligations under this Agreement, until the arbitration decision has been rendered.

(f) A Party may apply to any competent judicial authority for interim or conservatory relief. The application for such measures or for the enforcement of such measures ordered by the arbitrators shall not be deemed an infringement or waiver of the agreement to arbitrate and shall not affect the powers of the arbitrators.

14.3 Expert Provisions. Should the Parties fail to agree on any matters arising pursuant to Sections 3.3(c), 3.5 or 8.2(b) within forty five (45) calendar days, either Party shall have the right to refer the dispute to an independent internationally recognized accounting firm reasonably satisfactory to Toredor and Hess (the "**Expert**"), in which case the provisions of this Section 14.3 shall apply.

(a) If the Parties cannot reach agreement on the selection of an Expert within fourteen (14) calendar days from the date of request then an Expert shall be appointed by the Institute of Chartered Accountants in England & Wales;

(b) No Expert shall have any interest or duty which is in conflict with the function of Expert;

(c) The Expert shall establish the procedure to be followed, subject as provided herein;

(d) The Expert shall issue a preliminary decision in respect of the matter in dispute within a period of one (1) month commencing from the day he/she agrees to act. Each Party shall have the right, within fourteen (14) calendar days of receipt of the Expert's preliminary decision, to make further submissions to the Expert for his consideration. The Expert shall issue a final decision on the matter no later than twenty eight (28) calendar days from the date of the preliminary decision. As long as the Expert shall not have issued its decisions, the Parties will be able to reach an agreement, which will terminate the mission of the Expert;

(e) The Parties shall have the right to make such submissions and supply such information and data to the Expert within fourteen (14) calendar days after the appointment of the Expert as each such Party deems appropriate, and the Expert shall be entitled to make such inquiries and receive further submissions and information and data from such Parties as he/she may require for the purpose of resolving the matter. Each Party shall cooperate with the Expert and give him/her access to the relevant document that may be requested by the Expert;

(f) If any written communications between a Party and the Expert are made, copies of all such communications shall, at the same time, be furnished to the other Parties and where appropriate oral communications shall be reduced to writing and promptly furnished to the other Parties. The Expert shall consider all submissions made orally and in writing and any other information and data given by the Parties before giving a decision. The Expert shall make sure that the "*principe du contradictoire*" is respected at any time;

(g) In the Expert's final decision, which shall be in writing, the Expert shall give fully detailed reasons therefor and such decision shall be final and binding on the Parties except in the case of fraud or manifest error;

(h) The Expert shall not be an arbitrator and the law relating to arbitrators or arbitration shall not apply to such expert or the Expert's decision, not the procedure by which such decision is reached;

(i) The costs and expenses of the Expert shall be paid fifty percent (50%) by Toreador and fifty percent (50%) by Hess.

15. **GENERAL PROVISIONS**

15.1 **Relationship of Parties.** The rights, duties, obligations and liabilities of the Parties under this Agreement shall be individual, not joint or collective. It is not the intention of the Parties to create, nor shall this Agreement be deemed or construed to create a partnership, joint venture, association or trust. This Agreement shall not be deemed or construed to authorize any Party to act as an agent, servant or employee for any other Party for any purpose whatsoever except as explicitly set forth in this Agreement. In their relations with each other under this Agreement, the Parties shall not be considered fiduciaries except as expressly provided in this Agreement.

15.2 **Liability.** Notwithstanding any other provision of this Agreement:

(a) As provided by Article 1151 of the French civil code, Toreador shall not be liable to Hess for any indirect or consequential loss whether or not foreseeable at the date of execution

of this Agreement, incurred by Hess arising out of or as a result of or in connection with the performance, non-performance or mis-performance of this Agreement regardless of the negligence or breach of duty (statutory or otherwise) of Toreador.

(b) As provided by Article 1151 of the French civil code, Hess shall not be liable to Toreador for any indirect or consequential loss whether or not foreseeable at the date of execution of this Agreement, incurred by Toreador arising out of or as a result of or in connection with the performance, non-performance or mis-performance of this Agreement regardless of the negligence or breach of duty (statutory or otherwise) of Hess.

15.3 Further Assurances. Each of the Parties shall do all such acts and execute and deliver all such documents as shall be reasonably required in order to fully perform and carry out the terms of this Agreement.

15.4 Waiver. No waiver by any Party of any one or more defaults by another Party in the performance of any provision of this Agreement shall operate or be construed as a waiver of any future default or defaults by the same Party whether of a like or of a different character. Except as expressly provided in this Agreement, no Party shall be deemed to have waived, released or modified any of its rights under this Agreement unless such Party has expressly stated, in writing, that it does waive, release or modify such right.

15.5 Joint Preparation. Each provision of this Agreement shall be construed as though all Parties participated equally in the drafting of the same. Consequently, the Parties acknowledge and agree that any rule of construction that a document is to be construed against the drafting party shall not be applicable to this Agreement.

15.6 Costs and Expenses. Except as otherwise provided for in this Agreement, each of the Parties hereto shall pay the fees and expenses of its respective counsel, accountants, agents, financial advisors and other experts and representatives and shall pay all other costs and expenses incurred by it in connection with the negotiation, preparation and execution of this Agreement and the consummation of the transactions contemplated by this Agreement.

15.7 Severance of Invalid Provisions. If and for so long as any provision of this Agreement shall be deemed to be judged invalid for any reason whatsoever, such invalidity shall not affect the validity or operation of any other provision of this Agreement except only so far as shall be necessary to give effect to the construction of such invalidity, and any such invalid provision shall be deemed severed from this Agreement without affecting the validity of the balance of this Agreement.

15.8 Modifications. There shall be no modification of this Agreement except by written consent of all Parties.

15.9 Priority of Agreement. In the event of any conflict between the provisions of the main body of this Agreement and its Exhibits, the provisions of the main body of this Agreement shall prevail. In the event of any conflict between this Agreement and any of the Participation Agreements, this Agreement shall prevail.

15.10 Interpretation.

- (a) Headings. The topical headings used in this Agreement are for convenience only and shall not be construed as having any substantive significance or as indicating that all of the provisions of this Agreement relating to any topic are to be found in any particular Section.
- (b) Singular and Plural. Reference to the singular includes a reference to the plural and vice versa.
- (c) Section. Unless otherwise provided, reference to any Section or an Exhibit means a Section or Exhibit of the Agreement.
- (d) Include. “include” and “including” shall mean to be inclusive without limiting the generality of the description preceding such term and are used in an illustrative sense and not a limiting sense.

15.11 Public Announcements. No public announcement or statement regarding the terms or existence of this Agreement or any other matter relating to this Agreement or the transaction contemplated hereby shall be made without prior written consent of the other Party (excluding the Current Report on Form 8-K to be filed with the SEC by Treador Resources Corporation in respect of, and attaching as an exhibit, this Agreement); provided that, notwithstanding any failure to obtain such approval, no Party shall be prohibited from issuing or making any such public announcement or statement to the extent it is necessary to do so in order to comply with the applicable laws, rules or regulations of any government, government agency or commission, legal proceedings or stock exchange having jurisdiction over such Party or its Affiliates. Subject to the above, the Parties shall jointly agree to the contents of the press release to be issued in relation to the terms of this Agreement and the execution thereof.

15.12 Entirety. With respect to the subject matter contained herein, this Agreement (i) is the entire agreement of the Parties; and (ii) supersedes all prior understandings and negotiations of the Parties.

IN WITNESS of their agreement each Party has caused its duly authorized representative to sign this instrument on the date set out in the first sentence of this Agreement.

TOREADOR ENERGY FRANCE S.C.S.

By: /s/ Craig McKenzie
Name: Craig McKenzie
Title: Duly Authorized

HESS OIL FRANCE S.A.S

By: /s/ Stuart Lake
Name: Stuart Lake
Title: President



NEWS RELEASE

FOR IMMEDIATE RELEASE**TOREADOR AND HESS ANNOUNCE PARIS BASIN SHALE OIL PARTNERSHIP**

Paris, France and New York, New York — May 10, 2010 — Toreador (NASDAQ: TRGL) and Hess (NYSE: HES) jointly announced today that they have signed a definitive agreement, under which Hess may become co-holder of Toreador's exploration permits in the Paris Basin, France, which represent approximately 1 million gross acres (of which 680,000 acres awarded and 360,000 acres pending).

The partnership combines Toreador's position covering the Paris Basin shale oil resource with Hess' position as a leading shale oil producer in the United States along with its international operating and financial strengths.

Craig McKenzie, President and CEO of Toreador, said "We are excited to have chosen Hess as our partner in the Paris Basin. The agreement is a significant step in the execution of Toreador's growth strategy and a strong source of value for our shareholders."

Greg Hill, President of Worldwide Exploration and Production of Hess said, "We are very pleased to join Toreador in France. The technology we use to produce oil in U.S. unconventional plays will have a direct application to the Paris Basin. Hess views this opportunity as an area of future growth for Hess, our partner and the industry in France."

Under the terms of the agreement, Hess will make a \$15 million upfront payment and invest up to \$120 million in fulfillment of a two phase work program. Phase 1 will consist of an evaluation of the acreage and drilling six wells, with the first well planned for later this year. Depending on the results of Phase 1, Phase 2 is expected to consist of appraisal and development activities. Following Phase 2, provided contractual obligations have been met, Hess will hold a 50 percent share of Toreador's working interest in the covered permits.

The transaction is subject to French governmental approval.

Toreador Resources Corporation is an independent energy company engaged in the acquisition, development, exploration and production of crude oil. The company holds interests in developed and undeveloped oil properties in France. More information about Toreador may be found at the Company's web site, www.toreador.net.

Hess Corporation, with headquarters in New York, is a global integrated energy company engaged in the exploration, production, purchase, transportation and sale of crude oil and natural gas, as well as the production and sale of refined petroleum products. More information on Hess Corporation is available at www.hess.com.

Cautionary Statements

Except for the historical information contained herein, the matters set forth in this news release are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Toreador intends that all such statements be subject to the "safe-harbor" provisions of those

Acts. Many important risks, factors and conditions may cause Toreador's actual results to differ materially from those discussed in any such forward-looking statement. These risks include, but are not limited to our need and ability to raise additional capital or obtain alternative financing; our ability to maintain or renew our existing exploration permits or exploitation concessions or obtain new ones; the effect of our indebtedness on our financial health and business strategy; our ability to execute our business strategy and be profitable; our ability to replace reserves; a change in the SEC position on our calculation of proved reserves; the loss of the current purchaser of our oil production; results of our hedging activities; the loss of senior management or key employees; political, legal and economic risks associated with having international operations; disruptions in production and exploration activities in the Paris Basin; currency fluctuations; failure to maintain adequate internal controls; indemnities granted by us in connection with dispositions of our assets; unfavorable results of legal proceedings; assessing and integrating acquisition prospects; declines in prices for crude oil; our ability to compete in a highly competitive oil and gas industry; our ability to obtain equipment and personnel; extensive regulation, including environmental regulation, to which we are subject; terrorist activities; our success in development, exploitation and exploration activities; reserves estimates turning out to be inaccurate; differences between the present value and market value of our reserves and other risks and uncertainties described in the company's filings with the Securities and Exchange Commission.

The historical results achieved by Toreador are not necessarily indicative of its future prospects. The company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

###

Toreador Resources Investors:

Dan Gagnier/Jared Levy
Sard Verbinnen & Co (New York)
dgagnier@sardverb.com
+1-212-687-8080

Caroline Maury
Euro RSCG C&O (Paris)
caroline.maury@eurorscg.fr
+33 1 58 47 95 19 or +33 1 58 47 94 32

Hess Corporation

Investor contact: Jay Wilson
+212-536-8940

Media contact: Jon Pepper
+212-536-8550

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

The following unaudited pro forma condensed consolidated financial statements and related notes are presented to show the effects of the partnership agreement between Toreador Resources Corp and its wholly integrated subsidiaries (“Toreador”) and Hess Oil France (“Hess”).

The pro forma consolidated statements of operations for the year ended December 31, 2009 is presented to show the net income (loss) as if the participation, occurred on January 1, 2009. The pro forma consolidated statement of operations for the three months ended March 31, 2010 is presented to show the net income (loss) as if participation occurred on January 1, 2010. The pro forma condensed consolidated balance sheet is based on the assumption that the participation occurred on March 31, 2010.

Pro forma data are based on assumptions and include adjustments as explained in the notes to the unaudited pro forma condensed consolidated financial statements. The pro forma data are not necessarily indicative of the financial results that would have been attained had the sale occurred on the dates referenced above and should not be viewed as indicative of operations in future periods. The unaudited pro forma condensed consolidated financial statements should be read in conjunction with the notes thereto and our Annual Report on Form 10–K for the years ended December 31, 2009 and our quarterly report on Form 10–Q for the quarter ended March 31, 2010.

Toreador Energy France S.C.S. (“Toreador”), a company organized under the laws of France and an indirect subsidiary of Toreador Resources Corporation, a Delaware corporation (the “Company”), entered into an Investment Agreement (the “Investment Agreement”) with Hess Oil France S.A.S. (“Hess”), a company organized under the laws of France and a wholly owned subsidiary of Hess Corporation, a Delaware corporation, pursuant to which (x) Hess may become a 50% holder of Toreador’s working interests in its awarded and pending exploration permits in the Paris Basin, France (the “Permits”) and (y) (1) Hess must make a \$15 million upfront payment to Toreador, (2) Hess will have the right to invest up to \$120 million in fulfillment of a two–phase work program (the “Work Program”) and (3) Toreador would be entitled to receive up to a maximum of \$130 million of success fees based on reserves and upon the achievement of an oil production threshold, each as described more fully below.

TOREADOR RESOURCES CORPORATION
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
(In thousands)

	Historical March 31, 2010	Pro Forma Adjustments	Pro Forma March 31, 2010
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 38,155	\$ —	\$ 38,155
Accounts receivable	2,855	17,940(a)	20,795
Income tax receivable	599	—	599
Other	2,211	—	2,211
Total current assets	<u>43,820</u>	<u>15,676</u>	<u>43,820</u>
Oil and natural gas properties, net, using successful efforts method of accounting	69,285	—	69,285
Investments	200	—	200
Goodwill	3,717	—	3,717
Other assets	3,316	—	3,316
	<u>\$ 120,338</u>	<u>\$ 17,940</u>	<u>\$ 61,760</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 7,905	\$ 3,680(b)	\$ 11,585
Deferred lease payable	109	—	109
Derivatives	855	—	855
Current portion of long-term debt	32,385	—	32,385
Income tax payable	187	4,753(c)	4,940
Total current liabilities	<u>41,441</u>	<u>8,433</u>	<u>49,874</u>
Long-term accrued liabilities	360	—	360
Deferred lease payable	414	—	414
Asset retirement obligations	6,406	—	6,406
Deferred income tax liabilities	14,787	—	14,787
Convertible senior notes	35,028	—	35,028
Total liabilities	<u>98,436</u>	<u>8,433</u>	<u>106,869</u>
Commitments and contingencies			
Stockholders' equity:			
Common stock, \$0.15625 par value, 30,000,000 shares authorized; 25,668,126 and 22,106,955 issued and 24,947,099 and 21,385,928 outstanding shares issued	4,011	—	4,011
Additional paid-in capital	198,288	—	198,288
Accumulated deficit	(184,064)	9,507(d)	(174,557)
Accumulated other comprehensive income	6,201	—	6,201
Treasury stock at cost, 721,027 shares	(2,534)	—	(2,534)
Total stockholders' equity	<u>21,902</u>	<u>9,507</u>	<u>31,409</u>
	<u>\$ 120,338</u>	<u>\$ 17,940</u>	<u>\$ 138,278</u>

Pro Forma Adjustments

The unaudited pro forma condensed balance sheet at March 31, 2010 is based on our unaudited financial statements for the three months ended March 31, 2010, and the adjustments and assumptions are described below.

- (a) As per agreement, record receipt of \$15M cash upfront for sale consideration + VAT
- (b) Expenses related to the investment agreement.
- (c) Additional income taxes to be paid based on the operations described above
- (d) The change in retained earnings was based on the changes described above that are associated with the investment agreement

TOREADOR RESOURCES CORPORATION
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(In thousands, except per share amounts)

	Historical Three Months Ended March 31, 2010	Pro Forma Adjustments	Pro Forma Three Months Ended March 31, 2010
Oil and natural gas sales	\$ 5,511	\$ —	\$ 5,511
Operating costs and expenses:			
Lease operating	1,240	—	1,240
Exploration expense	18	—	18
Depreciation, depletion and amortization	1,098	—	1,098
General and administrative	5,005	32(e)	5,037
Gain on sales of assets	—	(14,292)(f)	(14,292)
Gain on oil and gas derivative contracts	(31)	—	(31)
Total operating costs and expenses	<u>7,330</u>	<u>(14,260)</u>	<u>(6,930)</u>
Operating income (loss)	(1,819)	14,260	(12,441)
Other income (expense):			
Foreign currency exchange gain	205	—	205
Loss on early extinguishment of debt	(4,256)	—	(4,256)
Interest and other income	80	—	80
Interest expense, net of interest capitalized	(784)	—	(784)
Total other income (expense)	<u>(4,755)</u>	<u>—</u>	<u>(4,755)</u>
Income (loss) before taxes	(6,574)	14,260	7,686
Income tax provision	330	4,753	5,083
Income (loss) from continuing operations, net of income taxes	<u>(6,904)</u>	<u>9,507</u>	<u>2,061</u>
Loss from discontinued operations, net of income taxes	(575)	—	(575)
Income (loss) available to common shares	<u>\$ (7,479)</u>	<u>\$ 9,507</u>	<u>\$ 2,027</u>
Basic loss available to common shares per share:			
From continuing operations, net of income taxes	\$ (0.30)	\$ 0.41	\$ 0.11
From discontinued operations, net of income taxes	(0.02)	0.00	(0.02)
	<u>\$ (0.32)</u>	<u>\$ 0.41</u>	<u>\$ 0.09</u>
Diluted loss available to common shares per share:			
From continuing operations, net of income taxes	\$ (0.30)	\$ 0.41	\$ 0.11
From discontinued operations, net of income taxes	(0.02)	0.00	(0.02)
	<u>\$ (0.32)</u>	<u>\$ 0.41</u>	<u>\$ 0.09</u>
Weighted average shares outstanding:			
Basic	23,002	23,002	23,002
Diluted	23,002	23,002	23,002

Pro Forma Adjustments

The unaudited pro forma consolidated statement of operations for the three months ended March 31, 2010, is based on our unaudited financial statements for the three months ended March 31, 2010, and the adjustments and assumptions are described below.

- (e) Removal of all revenue and expenses associated with the investment agreement
- (f) Record the sales of the interests.

TOREADOR RESOURCES CORPORATION UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (In thousands, except per share amounts)

	Historical Year Ended December 31, 2009	Pro Forma Adjustments	Pro Forma Year Ended December 31, 2009
Oil and natural gas sales	\$ 19,236	\$ —	\$ 19,236
Operating costs and expenses:			
Lease operating	8,396	—	8,396
Exploration expense	138	—	138
Depreciation, depletion and amortization	5,763	—	5,763
General and administrative	20,360	(744)(g)	19,616
Gain on sales of assets	(121)	(13,516)(h)	(13,637)
Gain on oil and gas derivative contracts	879	—	879
Total operating costs and expenses	<u>35,415</u>	<u>14,260</u>	<u>21,155</u>
Operating income (loss)	(16,179)	(14,260)	(1,919)
Other income (expense):			
Foreign currency exchange gain	169	—	169
Gain on early extinguishment of debt	3,345	—	3,345
Interest and other income	251	—	251
Interest expense, net of interest capitalized	(3,368)	—	(3,368)
Total other income (expense)	<u>(397)</u>	<u>—</u>	<u>(397)</u>
Income (loss) before taxes	(15,782)	14,260	(1,522)
Income tax provision (benefit)	(450)	(4,753)	(4,303)
Income (loss) from continuing operations, net of income taxes	<u>(15,332)</u>	<u>9,507</u>	<u>(5,825)</u>
Loss from discontinued operations, net of income taxes	<u>(10,080)</u>	<u>—</u>	<u>(10,080)</u>
Income (loss) available to common shares	<u>\$ (25,412)</u>	<u>\$ 9,507</u>	<u>\$ (15,905)</u>
Basic loss available to common shares per share:			
From continuing operations, net of income taxes	\$ (0.75)	\$ 0.46	\$ (0.28)
From discontinued operations, net of income taxes	<u>(0.49)</u>	<u>0.00</u>	<u>(0.49)</u>
	<u>\$ (1.24)</u>	<u>\$ 0.46</u>	<u>\$ (0.77)</u>
Diluted loss available to common shares per share:			
From continuing operations, net of income taxes	\$ (0.75)	\$ 0.46	\$ (0.28)
From discontinued operations, net of income taxes	<u>(0.49)</u>	<u>0.00</u>	<u>(0.49)</u>
	<u>\$ (1.24)</u>	<u>\$ 0.46</u>	<u>\$ (0.77)</u>
Weighted average shares outstanding:			
Basic	20,564	20,564	20,564
Diluted	20,564	20,564	20,564

Pro Forma Adjustments

The unaudited pro forma consolidated statement of operations for the year ended December 31, 2009, is based on our audited financial statements for the year ended December 31, 2009, and the adjustments and assumptions are described below.

-
- (g) Removal of all revenue and expenses associated with the investment agreement
 - (h) Record the sales of the interests.
-

Part II

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): **May 9, 2010**

Toreador Resources Corporation

(Exact name of Registrant as specified in its charter)

Delaware
(State or other
jurisdiction of incorporation)

0-02517
(Commission File
Number)

75-0991164
(IRS employer
Identification No.)

c/o Toreador Holding SAS
9 rue Scribe
Paris, France
(Address of principal executive offices)

75009
(Zip code)

33 1 47 03 34 24
(Registrant's telephone number including area code)

(Former name and former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-
-

Item 4.01 Changes in Registrant's Certifying Accountant.

On May 9, 2010, the Board of Directors of Toreador Resources Corporation (the "Company"), based on its Audit Committee's recommendation, determined not to re-engage Grant Thornton LLP ("Grant Thornton") as the Company's independent registered public accounting firm and approved the engagement of Ernst & Young ("Ernst & Young") for the fiscal year ending December 31, 2010. The Company's recent relocation of its headquarters from Dallas, Texas to Paris, France together with the fact that Grant Thornton's audit partner and staff are located in the United States led to certain inefficiencies and higher audit costs, which the Company believes may be reduced by working with Ernst & Young personnel based in Paris.

Except as set forth below, Grant Thornton's report on the Company's consolidated financial statements for each of the fiscal years ended December 31, 2008 and December 31, 2009 did not contain an adverse opinion or disclaimer of opinion and was not qualified or modified as to uncertainty, audit scope, or accounting principles.

During the fiscal years ended December 31, 2008 and December 31, 2009 and through May 9, 2010, there were no disagreements with Grant Thornton on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which if not resolved to the satisfaction of Grant Thornton would have caused Grant Thornton to make reference to the subject matter of such disagreement in connection with its report.

During the fiscal years ended December 31, 2008 and December 31, 2009 and through May 9, 2010, there have been no reportable events of the type required to be disclosed by Item 304(a)(1)(v) of Regulation S-K except that, as disclosed in the Company's Annual Report on Form 10-K for

the year ended December 31, 2009, Grant Thornton advised the Company of the following material weakness:

- The Company's accounting and financial reporting procedures were not sufficiently designed to ensure consistent and complete application of its accounting policies and to prepare financial statements in accordance with accounting principles generally accepted in the United States. This includes the lack of a sufficient review of sensitive calculations, reconciliations and critical spreadsheets by personnel in key financial reporting positions.

The Company has provided Grant Thornton with a copy of this Current Report on Form 8-K and requested that Grant Thornton furnish the Company with a letter addressed to the Securities and Exchange Commission stating whether it agrees with the above statements. The Company has received the requested letter from Grant Thornton, and a copy of Grant Thornton's letter is filed as Exhibit 16.1 hereto.

Prior to the engagement of Ernst & Young, and during the fiscal years ended December 31, 2008 and December 31, 2009 and through May 9, 2010, neither the Company nor anyone on its behalf consulted with Ernst & Young regarding either: (i) the application of accounting principles to any specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements (nor has Ernst & Young provided any written report or oral advice to the Company that Ernst & Young concluded was an important factor considered by the Company in reaching a decision as to the accounting, auditing or financial reporting issue) or (ii) any matter that was either the subject of a disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-K) or a reportable event (as described in Item 304(a)(1)(v) of Regulation S-K).

2

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
16.1	Letter from Grant Thornton LLP to the Securities and Exchange Commission, dated May 13, 2010.

3

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: May 13, 2010

TOREADOR RESOURCES CORPORATION

By: /s/ Craig M. McKenzie
Name: Craig M. McKenzie
Title: Chief Executive Officer

4

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
16.1	Letter from Grant Thornton LLP to the Securities and Exchange Commission, dated May 13, 2010.

5



May 13, 2010

Audit · Tax · Advisory

Grant Thornton LLP
1717 Main Street, Suite 1500
Dallas, TX 75201-4667

U.S. Securities and Exchange Commission
Office of the Chief Accountant
100 F Street, NE
Washington, DC 20549

T 214.561.2300
F 214.561.2370
www.GrantThornton.com

Re: Treador Resources Corporation
File No. 0-02517

Dear Sir or Madam:

We have read Item 4.01 of Form 8-K of Treador Resources Corporation dated May 9, 2010, and agree with the statements concerning our Firm contained therein.

Very truly yours,

GRANT THORNTON LLP

/s/ Grant Thornton LLP

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

FORM 8-K/A

**Amendment No. 1
CURRENT REPORT**

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

Date of Report (Date of earliest event reported): May 9, 2010

Toreador Resources Corporation

(Exact name of Registrant as specified in its charter)

Delaware

(State or other
jurisdiction of incorporation)

001-34216

(Commission File
Number)

75-0991164

(IRS employer
Identification No.)

**c/o Toreador Holding SAS
9 rue Scribe
Paris, France**

(Address of principal executive offices)

75009
(Zip code)

33 1 47 03 34 24

(Registrant's telephone number including area code)
(Former name and former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-
-

This amendment to the Current Report on Form 8-K filed by Toredor Resources Corporation (the "Company") with the Securities and Exchange Commission on May 13, 2010 (the "Original Form 8-K") is being filed solely to clarify the name of the Company's independent registered public accounting firm and its engagement as previously disclosed in Item 4 to such Original Form 8-K. Item 4 of the Original Form 8-K is therefore amended and restated in its entirety below.

Item 4.01 Changes in Registrant's Certifying Accountant.

On May 9, 2010, the Board of Directors of the Company, based on its Audit Committee's recommendation, determined not to re-engage Grant Thornton LLP ("Grant Thornton") as the Company's independent registered public accounting firm and approved the engagement of Ernst & Young Audit ("Ernst & Young") for the fiscal year ending December 31, 2010. The Company executed a formal engagement letter with Ernst & Young on July 30, 2010. The Company's recent relocation of its headquarters from Dallas, Texas to Paris, France together with the fact that Grant Thornton's audit partner and staff are located in the United States led to certain inefficiencies and higher audit costs, which the Company believes may be reduced by working with Ernst & Young personnel based in Paris.

Except as set forth below, Grant Thornton's report on the Company's consolidated financial statements for each of the fiscal years ended December 31, 2008 and December 31, 2009 did not contain an adverse opinion or disclaimer of opinion and was not qualified or modified as to uncertainty, audit scope, or accounting principles.

During the fiscal years ended December 31, 2008 and December 31, 2009 and through May 9, 2010, there were no disagreements with Grant Thornton on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which if not resolved to the satisfaction of Grant Thornton would have caused Grant Thornton to make reference to the subject matter of such disagreement in connection with its report.

During the fiscal years ended December 31, 2008 and December 31, 2009 and through May 9, 2010, there have been no reportable events of the type required to be disclosed by Item 304(a)(1)(v) of Regulation S-K except that, as disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2009, Grant Thornton advised the Company of the following material weakness:

- The Company's accounting and financial reporting procedures were not sufficiently designed to ensure consistent and complete application of its accounting policies and to prepare financial statements in accordance with accounting principles generally accepted in the United States. This includes the lack of a sufficient review of sensitive calculations, reconciliations and critical spreadsheets by personnel in key financial reporting positions.

The Company provided Grant Thornton with a copy of the Original Form 8-K and requested that Grant Thornton furnish the Company with a letter addressed to the Securities and Exchange Commission stating whether it agrees with the statements contained therein. The Company received the requested letter from Grant Thornton, and a copy of Grant Thornton's letter is filed as Exhibit 16.1 to the Original Form 8-K.

Prior to the engagement of Ernst & Young, and during the fiscal years ended December 31, 2008 and December 31, 2009 and through July 30, 2010, neither the Company nor anyone on its behalf consulted with Ernst & Young regarding either: (i) the application of accounting principles to any specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements (nor has Ernst & Young provided any written report or oral advice to the Company that Ernst & Young concluded was an important factor considered by the Company in reaching a decision as to the accounting, auditing or financial reporting issue) or (ii) any matter that was either the subject of a disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-K) or a reportable event (as described in Item 304(a)(1)(v) of Regulation S-K).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

TOREADOR RESOURCES CORPORATION

By: /s/ Craig M. McKenzie

Name: Craig M. McKenzie

Title: Chief Executive Officer

Date: November 3, 2010