

VAALCO ENERGY INC /DE/
Form 10-Q
November 08, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2010

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-32167

VAALCO Energy, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

4600 Post Oak Place

Suite 309

Houston, Texas
(Address of principal executive offices)

76-0274813
(I.R.S. Employer
Identification No.)

77027
(Zip code)

(713) 623-0801

(Registrant's telephone number, including area code)

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Indicate by check mark whether the registrant (1) 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 (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 corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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 the definitions of 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

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

As of October 31, 2010, there were outstanding 56,470,585 shares of common stock, \$0.10 par value per share, of the registrant.

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VAALCO ENERGY, INC. AND SUBSIDIARIES

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VAALCO ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in thousands of dollars, except number of shares and par value amounts)

	September 30, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 91,223	\$ 80,570
Funds in escrow	5,543	5,572
Receivables:		
Trade	21,118	8,175
Accounts with partners	3,102	13,558
Other	11,610	5,171
Crude oil inventory	587	286
Materials and supplies	416	160
Prepayments and other	1,878	1,217
Total current assets	135,477	114,709
Property and equipment - successful efforts method:		
Wells, platforms and other production facilities	144,935	137,122
Undeveloped acreage	13,252	13,252
Work in progress	17,554	1,784
Equipment and other	3,566	3,668
	179,307	155,826
Accumulated depreciation, depletion and amortization	(92,510)	(80,260)
Net property and equipment	86,797	75,566
Other assets:		
Deferred tax asset	1,349	1,349
Funds in escrow	10,874	10,873
Other long term assets		502
Total Assets	\$ 234,497	\$ 202,999
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 29,644	\$ 33,728
Accounts with partners	4,660	
Total current liabilities	34,304	33,728
Other liabilities		
Asset retirement obligations	1,930	1,500
	11,638	10,666

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Total liabilities	47,872	45,894
VAALCO Energy Inc. shareholders' equity:		
Common stock, \$0.10 par value, 100,000,000 authorized shares, 62,302,991 and 61,809,024 shares issued with 5,855,738 and 5,453,942 shares in treasury at Sept. 30, 2010 and Dec. 31, 2009, respectively	6,230	6,157
Additional paid-in capital	62,172	57,550
Retained earnings	137,710	109,249
Less treasury stock, at cost	(24,472)	(21,515)
Total VAALCO Energy Inc. shareholders' equity	181,640	151,441
Noncontrolling interest	4,985	5,664
Total Equity	186,625	157,105
Total Liabilities and Equity	\$ 234,497	\$ 202,999

See notes to unaudited condensed consolidated financial statements.

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VAALCO ENERGY, INC. AND SUBSIDIARIES
CONDENSED STATEMENTS OF CONSOLIDATED OPERATIONS

(Unaudited)

(in thousands of dollars, except per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Revenues:				
Oil and gas sales	\$ 32,604	\$ 29,262	\$ 96,285	\$ 82,668
Operating costs and expenses:				
Production expenses	4,815	5,674	15,881	15,852
Exploration expense	695	853	2,114	34,825
Depreciation, depletion and amortization	4,542	4,413	12,860	15,689
General and administrative expenses	949	3,268	5,855	7,120
Other operating expense (income)		(4,519)		(6,504)
Total operating costs and expenses	11,001	9,689	36,710	66,982
Operating income	21,603	19,573	59,575	15,686
Other income (expense):				
Interest income	26	(92)	89	554
Interest expense		(309)		(450)
Other, net	(327)	(793)	(554)	247
Total other income (expense)	(301)	(1,194)	(465)	351
Income before income taxes	21,302	18,379	59,110	16,037
Income tax expense	7,369	13,301	26,839	23,003
Net income (loss)	13,933	5,078	32,271	(6,966)
Less net income attributable to noncontrolling interest	(1,482)	(891)	(3,816)	(3,147)
Net income (loss) attributable to VAALCO Energy Inc.	\$ 12,451	\$ 4,187	\$ 28,455	\$ (10,113)
Earnings per share - basic:				
Net income (loss) attributable to VAALCO Energy Inc. common shareholders	\$ 0.22	\$ 0.07	\$ 0.50	\$ (0.18)
Earnings per share - diluted:				
Net income (loss) attributable to VAALCO Energy Inc. common shareholders	\$ 0.22	\$ 0.07	\$ 0.50	\$ (0.18)
Basic weighted shares outstanding	56,435	56,790	56,428	57,765
Diluted weighted average shares outstanding	57,193	57,174	56,923	57,765

See notes to unaudited condensed consolidated financial statements.

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VAALCO ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited)

(in thousands of dollars)

Nine Months Ended September 30, 2010

	VAALCO Energy, Inc. Shareholders					Noncontrolling Interest	Total
	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock			
Balance at January 1, 2010	\$ 6,157	\$ 57,550	\$ 109,249	\$ (21,515)	\$ 5,664	\$ 157,105	
Proceeds from stock issuance	73	2,697		(2,603)		167	
Stock based compensation		1,925		(354)		1,571	
Net income			28,455		3,816	32,271	
Redemption of rights agreement			6			6	