

VAALCO ENERGY INC /DE/  
Form 10-Q  
November 07, 2011  
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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, 2011

**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)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**4600 Post Oak Place**  
**Suite 300**  
**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)

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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

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, 2011, there were outstanding 57,118,925 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, 2011	December 31, 2010
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 112,575	\$ 81,234
Funds in escrow	991	14,932
Receivables:		
Trade	11,144	14,068
Accounts with partners, net of allowance of \$4.1 million at Sept. 30, 2011	8,898	16,180
Other	4,547	10,412
Crude oil inventory	5,397	548
Materials and supplies	280	501
Prepayments and other	5,054	1,482
Total current assets	148,886	139,357
Property and equipment - successful efforts method:		
Wells, platforms and other	178,405	168,139
Undeveloped acreage	25,304	16,692
Work in progress	13,185	8,812
Equipment and other	3,609	2,634
	220,503	196,277
Accumulated depreciation, depletion and amortization	(118,003)	(99,457)
Net property and equipment	102,500	96,820
Other assets:		
Deferred tax asset	1,349	1,349
Funds in escrow	10,895	874
Total Assets	\$ 263,630	\$ 238,400
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 22,408	\$ 26,702
Total current liabilities	22,408	26,702
Other liabilities	2,230	2,030
Asset retirement obligations	14,945	13,425
Total Liabilities	39,583	42,157

Commitments and Contingencies (Note 4)

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VAALCO Energy, Inc. shareholders' equity:		
Common stock, \$0.10 par value, 100,000,000 authorized shares, 63,124,472 and 62,822,805 shares issued with 6,005,547 and 6,005,547 shares in treasury at September 30, 2011 and December 31, 2010, respectively	<b>6,312</b>	6,282
Additional paid-in capital	<b>67,423</b>	64,314
Retained earnings	<b>172,018</b>	146,594
Less treasury stock, at cost	<b>(25,665)</b>	(25,665)
Total VAALCO Energy, Inc. shareholders' equity	<b>220,088</b>	191,525
Noncontrolling interest	<b>3,959</b>	4,718
Total Equity	<b>224,047</b>	196,243
Total Liabilities and Equity	<b>\$ 263,630</b>	\$ 238,400

*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,	
	2011	2010	2011	2010
Revenues:				
Oil and gas sales	\$ 37,350	\$ 32,604	\$ 142,669	\$ 96,285
Operating costs and expenses:				
Production expenses	4,473	4,815	15,513	15,881
Exploration expense	1,264	695	3,572	2,114
Depreciation, depletion and amortization	5,153	4,542	17,796	12,860
General and administrative expenses	2,580	949	8,055	5,855
Bad debt expenses	4,061		4,061	
Total operating costs and expenses	17,531	11,001	48,997	36,710
Operating income	19,819	21,603	93,672	59,575
Other income (expense):				
Interest income	53	26	136	89
Other, net	700	(327)	1,098	(554)
Total other income (expense)	753	(301)	1,234	(465)
Income before income taxes	20,572	21,302	94,906	59,110
Income tax expense	17,117	7,369	65,046	26,839
Net income	3,455	13,933	29,860	32,271
Less net income attributable to noncontrolling interest	(1,056)	(1,482)	(4,436)	(3,816)
Net income attributable to VAALCO Energy, Inc.	\$ 2,399	\$ 12,451	\$ 25,424	\$ 28,455
Basic net income per share attributable to VAALCO Energy, Inc. common shareholders	\$ 0.04	\$ 0.22	\$ 0.45	\$ 0.50
Diluted net income per share attributable to VAALCO Energy, Inc. common shareholders	\$ 0.04	\$ 0.22	\$ 0.44	\$ 0.50
Basic weighted shares outstanding	57,072	56,435	57,023	56,428
Diluted weighted shares outstanding	57,878	57,193	57,993	56,923

*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, 2011	VAALCO Energy, Inc. Shareholders					Total
	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Noncontrolling Interest	
<b>Balance at January 1, 2011</b>	\$ 6,282	\$ 64,314	\$ 146,594	\$ (25,665)	\$ 4,718	\$ 196,243
<b>Proceeds from stock issuance</b>	30	1,207				1,237
<b>Stock based compensation</b>		1,902				1,902
<b>Net income</b>			25,424		4,436	29,860
<b>Distribution to noncontrolling interest</b>					(5,195)	(5,195)
<b>Balance at September 30, 2011</b>	\$ 6,312	\$ 67,423				