

VAALCO ENERGY INC /DE/
Form 10-Q
November 09, 2009
Table of Contents

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, 2009

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)

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

4600 Post Oak Place

Suite 309

Houston, Texas
(Address of principal executive offices)

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 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, 2009, there were outstanding 56,593,564 shares of common stock, \$0.10 par value per share, of the registrant.

Table of Contents

VAALCO ENERGY, INC. AND SUBSIDIARIES

Table of Contents

PART I. FINANCIAL INFORMATION

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)	
<u>Condensed Consolidated Balance Sheets September 30, 2009 and December 31, 2008</u>	3
<u>Condensed Statements of Consolidated Operations Three months and nine months ended September 30, 2009 and 2008</u>	4
<u>Condensed Consolidated Statements of Changes in Equity Nine months ended September 30, 2009 and 2008</u>	5
<u>Condensed Statements of Consolidated Cash Flows Nine months ended September 30, 2009 and 2008</u>	6
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	7
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	16
<u>QUANTATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	25
<u>CONTROLS AND PROCEDURES</u>	25
PART II. OTHER INFORMATION	26
ITEM 1A. <u>RISK FACTORS</u>	26
ITEM 2. <u>ISSUER PURCHASES OF EQUITY SECURITIES FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2009</u>	27
ITEM 6. <u>EXHIBITS</u>	28

Table of Contents

VAALCO ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

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

	September 30, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 84,386	\$ 125,425
Funds in escrow	5,528	7,445
Receivables:		
Trade	8,495	9,513
Accounts with partners	5,807	3,796
Other	5,250	2,074
Crude oil inventory	455	1,381
Materials and supplies	408	425
Prepayments and other	1,684	2,351
Total current assets	112,013	152,410
Property and equipment - successful efforts method:		
Wells, platforms and other production facilities	137,553	84,693
Undeveloped acreage	12,586	12,841
Work in progress	827	43,288
Equipment and other	3,054	2,844
	154,020	143,666
Accumulated depreciation, depletion and amortization	(76,116)	(61,379)
Net property and equipment	77,904	82,287
Other assets:		
Deferred tax asset	1,349	1,349
Funds in escrow	10,873	15,637
Other long term assets	347	347
Total Assets	\$ 202,486	\$ 252,030
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 28,598	\$ 57,773
Current portion of long term debt	5,000	
Accounts with partners		5,394
Total current liabilities	33,598	63,167
Long term debt		5,000
Other liabilities	1,500	

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Asset retirement obligations	10,664	10,071
Total liabilities	45,762	78,238
VAALCO Energy Inc. shareholders' equity:		
Common stock, \$0.10 par value, 100,000,000 authorized shares, 61,157,324 and 61,116,324 shares issued with 4,563,760 and 2,860,642 shares in treasury at Sept. 30, 2009 and Dec. 31, 2008, respectively	6,116	6,112
Additional paid-in capital	55,641	53,983
Retained earnings	107,025	117,205
Less treasury stock, at cost	(18,623)	(11,422)
Total VAALCO Energy Inc. shareholders' equity	150,159	165,878
Noncontrolling interest	6,565	7,914
Total Equity	156,724	173,792
Total Liabilities and Equity	\$ 202,486	\$ 252,030

See notes to unaudited condensed consolidated financial statements.

Table of Contents**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,	
	2009	2008	2009	2008
Revenues:				
Oil and gas sales	\$ 29,262	\$ 55,543	\$ 82,668	\$ 153,054
Operating costs and expenses:				
Production expenses	5,674	5,949	15,852	14,880
Exploration expense	853	265	34,825	8,314
Depreciation, depletion and amortization	4,413	6,034	15,689	16,207
General and administrative expenses	3,268	1,540	7,120	7,092
Other operating income	(4,519)		(6,504)	
Total operating costs and expenses	9,689	13,788	66,982	46,493
Operating income	19,573	41,755	15,686	106,561
Other income (expense):				
Interest income	(92)	604	554	1,960
Interest expense	(309)	(63)	(450)	(482)
Other, net	(793)	119	247	91
Total other income (expense)	(1,194)	660	351	1,569
Income before income taxes	18,379	42,415	16,037	108,130
Income tax expense	13,301	17,372	23,003	65,243
Net income (loss)	5,078	25,043	(6,966)	42,887
Less net income attributable to noncontrolling interest	(891)	(2,697)	(3,147)	(5,714)
Net income (loss) attributable to VAALCO Energy Inc.	\$ 4,187	\$ 22,346	\$ (10,113)	\$ 37,173
Earnings per share - basic:				
Net income (loss) attributable to VAALCO Energy Inc. common shareholders	\$ 0.07	\$ 0.38	\$ (0.18)	\$ 0.63
Earnings per share - diluted:				
Net income (loss) attributable to VAALCO Energy Inc. common shareholders	\$ 0.07	\$ 0.38	\$ (0.18)	\$ 0.63
Basic weighted shares outstanding	56,790	58,244	57,765	58,818
Diluted weighted average shares outstanding	57,174	58,976	57,765	59,459

See notes to unaudited condensed consolidated financial statements.

Table of Contents

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

(Unaudited)

(in thousands of dollars)

Nine Months Ended September 30, 2009

Risk Factors

10

The Offering

11

SUMMARY CONSOLIDATED FINANCIAL DATA

**As of and for the years ended
2007**

\$

\$

12

As of and for the years
2007

\$

\$

\$

\$

\$

\$

RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED DIVIDENDS

138,213
0
0

138,213
140,816

279,029

29,956
104,048
0
6,812

140,816

1.98

138,213
0
0

138,213
418,430

556,643

307,570
104,048
0
6,812

418,430

1.33

RISK FACTORS

securities in the market as a result of future sales of Common Stock or the perception that such sales could occur. We may also issue equity securities as consideration

sits, reducing the discount bid on assets purchased or taking other actions, any of which could make the acquisition less attractive.

result of general economic conditions, market interest rates, competitive pressures or other factors, our level of deposits decreases relative to our overall banking activities.

particular, we may face the following risks in connection with these events:

iled with respect to these same matters and also naming Sterling and/or our current and former officers and directors.

REGULATORY MATTERS

Supervision, Regulation and Other Factors

General

32

Capital Requirements

33

Deposit Insurance and Assessments

37

THE RECAPITALIZATION

Background to the Recapitalization

44

Anchor Investments

45

Private Placements

47

Treasury Exchange

48

Other Matters

Governance

49

Executive Officers

52

USE OF PROCEEDS

53

SELLING SHAREHOLDERS

**Warrants
Being
Offered**

47,734,224

32,323,076

57

5,646,193

921,507

6,437,677

86,625,000

61

PLAN OF DISTRIBUTION

STOCK MARKET AND DIVIDEND INFORMATION

**2010 Quarters Ended
June 30**

June 30

June 30

65

DIVIDEND POLICY

66

DESCRIPTION OF COMMON STOCK

67

DESCRIPTION OF THE WARRANTS

General

69

Anchor Investor Warrants

70

ection upon exercise of the Anchor Investor Warrants with respect to the number of shares of stock or other securities or property which the warrant holder will receive

anking firm retained by Sterling for this purpose.

Treasury Warrant

76

and the specified event occurs at 5:00 p.m. on that day, the market price would be determined by reference to such 4:00 p.m. closing price).

TRANSFER RESTRICTIONS AND RIGHTS PLAN

Section 382 Transfer Restrictions

83

ore, shareholders who hold our Common Stock prior to the approval of the Proposed Section 382 Articles Amendment, and who vote against it, may not be bound by

Rights Plan

Korean Transfer Restrictions

87

CERTAIN MATERIAL U.S. FEDERAL INCOME AND ESTATE TAX CONSIDERATIONS

Ownership of Warrants

88

share. Such redemption will generally result in capital gain or loss equal to the difference between the amount of cash received and your adjusted federal income tax b

Ownership of Common Stock

Information reporting and backup withholding requirements

91

Recent Legislation

U.S. Federal Estate Tax

CERTAIN ERISA CONSIDERATIONS

and such Plan or plan, by purchasing the Securities to represent that (a) the Plan or plan will pay no more than adequate consideration in connection with the purchase

INDEMNIFICATION

LEGAL MATTERS

EXPERTS

93

PART II

INFORMATION NOT REQUIRED IN THE PROSPECTUS

188,847.59*
200,000*
100,000*
25,000*
10,000*
523,847.59*

II-1

II-2

II-3

II-4

II-5

II-6

II-7

SIGNATURES

II-8

II-9

EXHIBIT INDEX

