

VAALCO ENERGY INC /DE/  
Form 10-Q  
August 08, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended June 30, 2012

**TRANSITION REPORT PURSUANT TO 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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<b>Delaware</b> (State or other jurisdiction of incorporation or organization)	<b>76-0274813</b> (I.R.S. Employer Identification No.)
<b>4600 Post Oak Place</b>  <b>Suite 300</b>  <b>Houston, Texas</b> (Address of principal executive offices)	<b>77027</b> (Zip code)
<b>(713) 623-0801</b>  (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 July 31, 2012, there were outstanding 57,845,799 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)*

	June 30, 2012	December 31, 2011
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 137,796	\$ 137,139
Restricted cash	1,226	1,314
Receivables:		
Trade	19,991	10,087
Accounts with partners, net of allowance of \$5.0 million and \$4.4 million at June 30, 2012 and December 31, 2011, respectively	2,135	6,974
Other	5,068	4,239
Crude oil inventory	1,379	757
Materials and supplies	415	235
Prepayments and other	3,754	2,178
Total current assets	171,764	162,923
Property and equipment - successful efforts method:		
Wells, platforms and other production facilities	189,317	178,653
Undeveloped acreage	24,605	25,344
Work in progress	26,482	20,703
Equipment and other	6,636	4,543
	247,040	229,243
Accumulated depreciation, depletion and amortization	(140,922)	(129,395)
Net property and equipment	106,118	99,848
Other assets:		
Deferred tax asset	1,349	1,349
Restricted cash	10,895	10,895
Total Assets	\$ 290,126	\$ 275,015
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 20,794	\$ 25,090
Total current liabilities	20,794	25,090
Other liabilities		
Asset retirement obligations	2,480	2,330
	9,463	14,528
Total Liabilities	32,737	41,948

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Commitments and Contingencies (Note 4)

VAALCO Energy, Inc. shareholders' equity:

Common stock, \$0.10 par value, 100,000,000 authorized shares, 63,103,437 and 62,376,563 shares issued with 5,257,638 and 5,257,638 shares in treasury at June 30, 2012 and December 31, 2011, respectively	<b>6,310</b>	6,238
Additional paid-in capital	<b>71,123</b>	66,122
Retained earnings	<b>200,183</b>	180,739
Less treasury stock, at cost	<b>(23,975)</b>	(23,975)
Total VAALCO Energy, Inc. shareholders' equity	<b>253,641</b>	229,124
Noncontrolling interest	<b>3,748</b>	3,943
Total Equity	<b>257,389</b>	233,067
Total Liabilities and Equity	<b>\$ 290,126</b>	\$ 275,015

*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 June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Revenues:				
Oil and gas sales	<b>\$ 58,818</b>	\$ 58,547	<b>\$ 104,104</b>	\$ 105,319
Operating costs and expenses:				
Production expenses	<b>6,537</b>	5,807	<b>12,063</b>	11,040
Exploration expense	<b>3,484</b>	1,189	<b>4,337</b>	2,308
Depreciation, depletion and amortization	<b>6,850</b>	6,545	<b>11,854</b>	12,643
General and administrative expenses	<b>3,040</b>	2,494	<b>6,521</b>	5,475
Bad debt expenses	<b>275</b>		<b>590</b>	
Total operating costs and expenses	<b>20,186</b>	16,035	<b>35,365</b>	31,466
Operating income	<b>38,632</b>	42,512	<b>68,739</b>	73,853
Other income (expense):				
Interest income	<b>32</b>	47	<b>73</b>	83
Other, net	<b>382</b>	592	<b>583</b>	398
Total other income (expense)	<b>414</b>	639	<b>656</b>	481
Income before income taxes	<b>39,046</b>	43,151	<b>69,395</b>	74,334
Income tax expense	<b>26,729</b>	29,641	<b>46,549</b>	47,929
Net income	<b>12,317</b>	13,510	<b>22,846</b>	26,405
Less net income attributable to noncontrolling interest	<b>(1,893)</b>	(1,723)	<b>(3,402)</b>	(3,380)
Net income attributable to VAALCO Energy, Inc.	<b>\$ 10,424</b>	\$ 11,787	<b>\$ 19,444</b>	\$ 23,025
Basic net income attributable to VAALCO Energy, Inc. common shareholders	<b>\$ 0.18</b>	\$ 0.21	<b>\$ 0.34</b>	\$ 0.40
Diluted net income attributable to VAALCO Energy, Inc. common shareholders	<b>\$ 0.18</b>	\$ 0.20	<b>\$ 0.33</b>	\$ 0.40
Basic weighted shares outstanding	<b>57,797</b>	57,027	<b>57,496</b>	56,999
Diluted weighted shares outstanding	<b>59,000</b>	58,021	<b>58,701</b>	58,113

*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)*Six Months Ended June 30, 2012

	VAALCO Energy, Inc. Shareholders					Noncontrolling Interest	Total
	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock			
<b>Balance at January 1, 2012</b>	\$ 6,238	\$ 66,122	\$ 180,739	\$ (23,975)	\$ 3,943	\$ 233,067	
<b>Proceeds from stock issuance</b>	72	3,297				3,369	
<b>Stock based compensation</b>		1,704				1,704	
<b>Net income</b>			19,444		3,402	22,846	
<b>Distribution to noncontrolling interest</b>					(3,597)	(3,597)	
<b>Balance at June 30, 2012</b>	\$ 6,310	\$ 71,123	\$ 200,183	\$ (23,975)	\$ 3,748	\$ 257,389	