

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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Delaware (State or other jurisdiction of incorporation or organization)	76-0274813 (I.R.S. Employer Identification No.)
4600 Post Oak Place Suite 300 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 <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
ASSETS		
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
LIABILITIES AND EQUITY		
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	6,310	6,238
Additional paid-in capital	71,123	66,122
Retained earnings	200,183	180,739
Less treasury stock, at cost	(23,975)	(23,975)
Total VAALCO Energy, Inc. shareholders' equity	253,641	229,124
Noncontrolling interest	3,748	3,943
Total Equity	257,389	233,067
Total Liabilities and Equity	\$ 290,126	\$ 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	\$ 58,818	\$ 58,547	\$ 104,104	\$ 105,319
Operating costs and expenses:				
Production expenses	6,537	5,807	12,063	11,040
Exploration expense	3,484	1,189	4,337	2,308
Depreciation, depletion and amortization	6,850	6,545	11,854	12,643
General and administrative expenses	3,040	2,494	6,521	5,475
Bad debt expenses	275		590	
Total operating costs and expenses	20,186	16,035	35,365	31,466
Operating income	38,632	42,512	68,739	73,853
Other income (expense):				
Interest income	32	47	73	83
Other, net	382	592	583	398
Total other income (expense)	414	639	656	481
Income before income taxes	39,046	43,151	69,395	74,334
Income tax expense	26,729	29,641	46,549	47,929
Net income	12,317	13,510	22,846	26,405
Less net income attributable to noncontrolling interest	(1,893)	(1,723)	(3,402)	(3,380)
Net income attributable to VAALCO Energy, Inc.	\$ 10,424	\$ 11,787	\$ 19,444	\$ 23,025
Basic net income attributable to VAALCO Energy, Inc. common shareholders	\$ 0.18	\$ 0.21	\$ 0.34	\$ 0.40
Diluted net income attributable to VAALCO Energy, Inc. common shareholders	\$ 0.18	\$ 0.20	\$ 0.33	\$ 0.40
Basic weighted shares outstanding	57,797	57,027	57,496	56,999
Diluted weighted shares outstanding	59,000	58,021	58,701	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			
Balance at January 1, 2012	\$ 6,238	\$ 66,122	\$ 180,739	\$ (23,975)	\$ 3,943	\$ 233,067	
Proceeds from stock issuance	72	3,297				3,369	
Stock based compensation		1,704				1,704	
Net income			19,444		3,402	22,846	
Distribution to noncontrolling interest					(3,597)	(3,597)	
Balance at June 30, 2012	\$ 6,310	\$ 71,123	\$ 200,183	\$ (23,975)	\$ 3,748	\$ 257,389	