

VAALCO ENERGY INC /DE/
Form 10-Q
November 09, 2006
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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, 2006

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

For the transition period from _____ to _____

Commission file number 0-20928

VAALCO Energy, Inc.

(Exact name of small business issuer as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

4600 Post Oak Place

Suite 309

76-0274813
(I.R.S. Employer

Identification No.)

77027

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Houston, Texas
(Address of principal executive offices)

(713) 623-0801

(Zip code)

(Issuer'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 is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of large accelerated filer and accelerated filer in Rule 12b-2 of the Exchange Act (Check one) Large accelerated filer Accelerated filer Non-accelerated filer

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, 2006, there were outstanding 58,742,813 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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	September 30, 2006	December 31, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 69,678	\$ 43,880
Funds in escrow		1,130
Receivables:		
Trade	15,092	6,453
Accounts with partners	4,450	2,255
Other	1,021	1,234
Crude oil inventory	297	518
Materials and supplies	329	290
Deferred tax asset	438	
Prepayments and other	1,077	2,185
Total current assets	92,382	57,945
Property and equipment - successful efforts method:		
Wells, platforms and other production facilities	44,010	43,805
Work in progress	29,107	10,832
Equipment and other	3,502	1,783
	76,619	56,420
Accumulated depreciation, depletion and amortization	(24,196)	(19,222)
Net property and equipment	52,423	37,198
Other assets:		
Deferred tax asset	1,257	1,257
Funds in escrow	837	820
Other long term assets	783	942
TOTAL	\$ 147,682	\$ 98,162
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 12,635	\$ 8,555
Current liabilities of discontinued operations	580	391
Total current liabilities	13,215	8,946
Long term debt	5,000	1,500
Asset retirement obligations	5,515	3,615
Total liabilities	23,730	14,061

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Commitments and contingencies		
Minority interest in consolidated subsidiaries	8,103	5,786
Stockholders' equity:		
Common stock, \$0.10 par value, 100,000,000 authorized shares 59,505,656 and 58,314,792 shares issued with 1,060,342 in treasury at September 30, 2006 and December 31, 2005, respectively	5,951	5,831
Additional paid-in capital	47,022	44,662
Retained earnings	63,142	28,088
Less treasury stock, at cost	(266)	(266)
Total stockholders' equity	115,849	78,315
TOTAL	\$ 147,682	\$ 98,162

See notes to consolidated financial statements.

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VAALCO ENERGY, INC. AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED OPERATIONS

(unaudited)

(in thousands of dollars, except per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
Revenues:				
Oil and gas sales	\$ 25,640	\$ 26,592	\$ 82,452	\$ 66,335
Unrealized loss on hedging activity		(352)		(352)
	25,640	26,240	82,452	65,983
Operating costs and expenses:				
Production expenses	3,075	3,004	9,339	8,417
Exploration expense	523	133	1,487	2,584
Depreciation, depletion and amortization	1,763	1,428	5,061	4,335
General and administrative expenses	(9)	178	1,122	902
Total operating costs and expenses	5,352	4,743	17,009	16,238
Operating income	20,288	21,497	65,443	49,745
Other income (expense):				
Interest income	886	293	2,060	693
Interest expense	(256)	(118)	(779)	(338)
Other, net	19	(4)	(38)	120
Total other income (expense)	649	171	1,243	475
Income from continuing operations before income taxes, minority interest and discontinued operations				
	20,937	21,668	66,686	50,220
Income tax expense	6,280	8,306	27,077	23,089
Income from continuing operations before minority interest and discontinued operations	14,657	13,362	39,609	27,131
Minority interest in earnings of subsidiaries	(1,555)	(1,434)	(4,314)	(2,952)
Discontinued operations: (Note 8)				
Income (loss) from discontinued operations net of tax	488	(25)	(241)	(16)
Net income	\$ 13,590	\$ 11,903	\$ 35,054	\$ 24,163
Basic income per share from continuing operations				
	\$ 0.22	\$ 0.21	\$ 0.61	\$ 0.48
Income (loss) from discontinued operations	0.01			
Basic income per share	\$ 0.23	\$ 0.21	\$ 0.61	\$ 0.48
Diluted income per share from continuing operations				
	\$ 0.21	\$ 0.20	\$ 0.58	\$ 0.41
Income (loss) from discontinued operations	0.01			
Diluted income per share	\$ 0.22	\$ 0.20	\$ 0.58	\$ 0.41

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Basic weighted shares outstanding	58,403	56,558	57,905	50,052
Diluted weighted average shares outstanding	60,786	58,350	60,352	58,272

See notes to consolidated financial statements.

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VAALCO ENERGY, INC. AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED CASH FLOWS

(Unaudited)

(in thousands of dollars)

	Nine Months Ended September 30,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 35,054	\$ 24,163
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation, depletion and amortization	5,060	4,335
Amortization of debt issuance costs	482	120
Exploration expense	1,487	2,584
Stock based compensation	580	
Minority interest in earnings of subsidiary	4,314	2,952
Change in operating assets and liabilities:		
Trade receivables	(8,639)	(2,396)
Accounts with partners	(2,195)	(905)
Other receivables	213	(835)
Crude oil inventory	221	539
Materials and supplies	(39)	42
Deferred tax asset	(437)	
Prepayments and other	1,109	27
Accounts payable and accrued liabilities	3,955	4,205
Accounts payable discontinued operations	(9)	
Income taxes payable	200	(140)
Net cash provided by operating activities	41,356	34,691
CASH FLOWS FROM INVESTING ACTIVITIES		
Funds in escrow, net	1,113	(2,561)
Exploration expense	(1,487)	(2,584)
Additions to property and equipment	(18,263)	(9,099)
Other		(534)