

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1999

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)

76-0274813

(I.R.S. Employer
Identification No.)

4600 POST OAK PLACE
SUITE 309

HOUSTON, TEXAS
(Address of principal executive offices)

77027
(Zip Code)

Issuer's telephone number: (713) 623-0801

Check whether the issuer (1) 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

As of May 14, 1999 there were outstanding 20,749,968 shares of Common
Stock, \$.10 par value per share, of the registrant.

VAALCO ENERGY, INC. AND SUBSIDIARIES

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VAALCO ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(IN THOUSANDS OF DOLLARS, EXCEPT PAR VALUE AMOUNTS)

	MARCH 31, 1999	December 31, 1998
	-----	-----
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,999	\$ 6,671

Funds in escrow	103	5,248
Receivables:		
Trade	267	311
Accounts with partners	245	--
Other	336	335
Materials and supplies, net of allowance for obsolescence of \$61	346	326
Prepaid expenses and other	37	25
	-----	-----
Total current assets	6,333	12,916
	-----	-----
PROPERTY AND EQUIPMENT-SUCCESSFUL EFFORTS METHOD		
Wells, platforms and other production facilities	89	89
Undeveloped acreage	1,386	1,385
Work in progress	2,670	1,820
Equipment and other	156	47
	-----	-----
	4,301	3,341
Accumulated depreciation, depletion and amortization ...	(11)	(10)
	-----	-----
Net property and equipment	4,290	3,331
	-----	-----
OTHER ASSETS:		
Funds in escrow	12,426	12,400
Advances - related party	--	35
Investment in unconsolidated entities	4,957	4,949
Deferred tax asset	533	533
Other long-term assets	296	--
	-----	-----
TOTAL	\$ 28,835	\$ 34,164
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 1,918	\$ 2,041
Accounts with partners	--	4,567
	-----	-----
Total current liabilities	1,918	6,608
	-----	-----
MINORITY INTEREST	13	--
FUTURE ABANDONMENT COSTS	3,217	3,217
	-----	-----
Total liabilities	5,148	9,825
	-----	-----
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, \$25 par value, 500,000 shares authorized; 10,000 shares issued and outstanding in 1999 and 1998	250	250
Common stock, \$.10 par value, 100,000,000 authorized shares		

20,755,363 shares issued of which 5,395 are in the treasury in 1999 and 1998	2,075	2,075
Additional paid-in capital	41,215	41,215
Accumulated deficit	(19,841)	(19,189)
Less treasury stock, at cost	(12)	(12)
	-----	-----
Total stockholders' equity	23,687	24,339
	-----	-----
TOTAL	\$ 28,835	\$ 34,164
	=====	=====

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 March 31,	
	----- 1999 -----	----- 1998 -----
REVENUES:		
Oil and gas sales	\$ 126	\$ --
OPERATING COSTS AND EXPENSES:		
Production expenses	59	--
Depreciation, depletion and amortization	2	--
General and administrative expenses	490	--
	-----	-----
Total operating costs and expenses	551	--
	-----	-----
OPERATING LOSS	(425)	--
OTHER INCOME (EXPENSE):		
Interest income	259	--
Interest expense and financing charges	--	(424)
Equity loss in unconsolidated entities	(511)	--
Other, net	25	(1)
	-----	-----
Total other income (expense)	(227)	(425)
	-----	-----
LOSS ATTRIBUTABLE TO		
COMMON STOCKHOLDERS	\$ (652)	\$ (425)
	=====	=====
LOSS PER COMMON SHARE:		
BASIC AND DILUTED	\$ (0.03)	\$ (0.03)
	=====	=====
WEIGHTED AVERAGE COMMON SHARES:		
BASIC	20,755	15,567
	=====	=====
DILUTED	20,930	16,895
	=====	=====

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)

	Three months Ended March 31,	
	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (652)	\$ (425)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, depletion and amortization	2	--
Equity loss in unconsolidated entities	511	--
Change in assets and liabilities that provided (used) cash:		
Funds in escrow	5,119	--
Trade receivables	44	--
Accounts with partners	(4,812)	--
Other receivables	(1)	--
Materials and supplies	(20)	--
Prepaid expenses and other	(12)	--
Accounts payable and accrued liabilities	(123)	425
	-----	-----
Net cash provided by operating activities	56	--
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property and equipment	(960)	--
Investment in unconsolidated entities	(519)	--
Other	(249)	--
	-----	-----
Net cash used in investing activities	(1,728)	--
	-----	-----
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,672)	--
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6,671	32
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 4,999	\$ 32
	=====	=====

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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VAALCO ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 1999
(UNAUDITED)

1. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of VAALCO Energy, Inc. and Subsidiaries (collectively, "VAALCO" or the "Company"), included herein are unaudited, but include all adjustments consisting of normal recurring accruals which the Company deems necessary for a fair presentation of its financial position, results of operations and cash flows for the interim period. Such results are not necessarily indicative of results to be expected for the full year. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Form 10-KSB for the year ended December 31, 1998.

VAALCO Energy, Inc., a Delaware corporation, is a Houston-based independent energy company principally engaged in the acquisition, exploration, development and production of crude oil and natural gas. VAALCO owns producing properties and conducts exploration activities as operator of consortium internationally in the Philippines and Gabon. Through participation in a partnership with Hunt Oil Company, VAALCO has additional international exploration interests in Argentina, Peru, Ethiopia, Ghana, Niger and Canada. Domestically, the Company has interests in the Texas Gulf Coast area.

VAALCO's Philippine subsidiaries include Alcorn (Philippines) Inc. and Alcorn (Production) Philippines Inc. VAALCO's Gabon subsidiaries are VAALCO Gabon (Equata), Inc., VAALCO Gabon (Etame), Inc., VAALCO Production (Gabon), Inc. and VAALCO Energy (Gabon), Inc. VAALCO (USA), Inc. holds interests in certain properties in the United States.

2. ACQUISITION OF 1818 Oil Corp.

On April 21, 1998 VAALCO consummated the acquisition of 1818 Oil Corp. in exchange for 10,000 shares of Convertible Preferred Stock, Series A. The Preferred Stock is convertible into 27.5 million shares of VAALCO \$0.10 par value per share Common Stock. As a result of the voting control 1818 Oil Corp.'s shareholder obtained in the transaction, the 1818 Oil Corp. acquisition has been accounted for as a reverse acquisition and 1818 Oil Corp. is the acquiring entity for accounting purposes. The assets of 1818 Oil Corp. at closing consisted of a 7.5% limited partnership interest in Hunt Overseas Exploration Company, L.P. ("Hunt") with book value of \$2.8 million and \$12.6 million in cash. The \$12.6 million of cash which 1818 Oil Corp. had at the time of the acquisition has been pledged as cash collateral to secure a letter of credit payable to Hunt for cash calls associated with the partnership. If Hunt does not call such capital contributions as provided in the partnership agreement of Hunt, the cash collateral will be released to the Company.

Hunt has entered into production sharing contracts and other arrangements which entitle it to explore for oil and gas, both onshore and offshore, on approximately 34 million acres in various countries, including Argentina, Peru, Ethiopia, Ghana, Niger and Canada. The general partner of Hunt is Hunt Overseas Operating Company, a subsidiary of Hunt Oil Company. Hunt explores for high risk, large reserve accumulations, generally targeting

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VAALCO ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 1999
(UNAUDITED)

deposits which pre-drilling seismic and other data indicate to have potential reserves in excess of 100 MMBOE.

Under the partnership agreement with Hunt, the Company will have an obligation to contribute an estimated \$5.1 million to fund its share of the exploration costs of Hunt, \$0.7 million of which was funded subsequent to the acquisition. In addition, if Hunt discovers oil or gas deposits, the Company will be required to contribute an additional \$7.5 million to fund appraisal costs. VAALCO has \$12.4 million in cash in an escrow account to fund its obligations under the partnership agreement.

1818 Oil Corp.'s equity as of December 31, 1998 has been retroactively changed for the equivalent number of shares of VAALCO's common stock received in the transaction. The difference between the par value of the common stock of 1818 Oil Corp. and VAALCO has been credited to additional paid-in capital. In addition, at the time of the merger, the 1818 Fund II, L.P., a fund managed by Brown Brown Harriman & Co. (the "1818 Fund") contributed the debt owed to it by 1818 Oil Corp. as additional paid-in capital to 1818 Oil Corp.

The income statement presented for the prior year period is that of 1818 Oil Corp., not VAALCO the legal acquirer. The results of operations of VAALCO are included in the accompanying financial statements for the periods subsequent to the date of the acquisition. Accordingly, a comparison of 1999 and 1998 interim results is not meaningful. The legal name of the registrant continues to be VAALCO Energy, Inc.

The following summarizes pro forma financial information assuming the acquisition of 1818 Oil Corp. had occurred on January 1, 1998.

(THOUSANDS OF DOLLARS)

	Three months Ended MARCH 31, 1999	Three months Ended MARCH 31, 1998
	-----	-----
Total revenues.....	\$ 126	\$ 155

Loss before income taxes.....	(652)	(186)
Net loss attributable to common stockholders.....	(652)	(172)
Basic net loss per share.....	(0.03)	(0.01)

3. RECENT DEVELOPMENTS

The Company is the operator of a 3,073 square kilometer concession known as the Etame Block offshore Gabon, West Africa, with a working interest ownership of 17.9%. In June 1998, the Company announced the discovery of the Etame field, with the drilling of the Etame No. 1 well. The well was drilled to a depth of 8,000 feet and resulted in an oil discovery, which tested at a rate of 3,700 barrels oil per day on a 32/64's inch choke from perforations in the Gamba Sandstone. The Etame Block contains two former Gulf Oil Company discoveries, the North and South Tchibala discoveries. All three discoveries consist of subsalt reservoirs that lie in approximately 250 feet of water depth, 20 miles offshore.

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VAALCO ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 1999
(UNAUDITED)

In January 1999, the Company completed the drilling of the Etame 2V delineation well. The well found oil pay in the Gamba Sandstone, however, the reservoir was encountered at a lower depth than expected. The well was not tested. A seismic reprocessing effort has been commenced to better delineate the Gamba reservoir below the salt before additional wells will be drilled. At least one additional delineation well is planned for 1999 or early 2000.

During February 1999, Hunt Oil Company drilled a 4,500 foot test on its Rio Belgrano block in Argentina. The well did not encounter any commercial hydrocarbons and was abandoned.

In December 1998, an Australian Company completed the acquisition of 3-D seismic over the Company's interests in Service Contract 14 in the Philippines. The Company and the other members of the Service Contract 14 Consortium assigned 35% of their working interest in the Service Contract to the Australian Company pursuant to the farm-out agreement.

The Company participates in a joint venture with Paramount Petroleum, Inc. to conduct exploration activities primarily in the onshore Gulf Coast area, including Alabama, Mississippi and Louisiana. In July 1998, the Company elected to participate at a 15% working interest level in the first prospect developed by the joint venture, which did not encounter productive hydrocarbon intervals and has been abandoned. The Company has agreed to take a 10% interest in two additional prospects to be drilled during the second quarter of 1999.

4. EARNINGS PER SHARE

The weighted average common shares outstanding represent those of historical VAALCO for the applicable periods.

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VAALCO ENERGY, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

THIS REPORT INCLUDES "FORWARD LOOKING STATEMENTS" WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED, AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED ("EXCHANGE ACT"). ALL STATEMENTS OTHER THAN STATEMENTS OF HISTORICAL FACT INCLUDED IN THIS REPORT (AND THE EXHIBITS HERETO), INCLUDING WITHOUT LIMITATION, STATEMENTS REGARDING THE COMPANY'S FINANCIAL POSITION AND ESTIMATED QUANTITIES AND NET PRESENT VALUES OF RESERVES, ARE FORWARD LOOKING STATEMENTS. THE COMPANY CAN GIVE NO ASSURANCES THAT THE ASSUMPTIONS UPON WHICH SUCH STATEMENTS ARE BASED WILL PROVE TO HAVE BEEN CORRECT. IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THE COMPANY'S EXPECTATIONS ("CAUTIONARY STATEMENTS") ARE DISCLOSED IN THE SECTION "RISK FACTORS" INCLUDED IN THE COMPANY'S FORMS 10-KSB AND OTHER PERIODIC REPORTS FILED UNDER THE EXCHANGE ACT, WHICH ARE HEREIN INCORPORATED BY REFERENCE. ALL SUBSEQUENT WRITTEN AND ORAL FORWARD LOOKING STATEMENTS ATTRIBUTABLE TO THE COMPANY OR PERSONS ACTING ON ITS BEHALF ARE EXPRESSLY QUALIFIED BY THE CAUTIONARY STATEMENTS.

INTRODUCTION

The Company's results of operations are dependent upon the difference between prices received for its oil and gas production and the costs to find and produce

such oil and gas. Oil and gas prices have been and are expected in the future to be volatile and subject to fluctuations based on a number of factors beyond the control of the Company. The Company's production in the Philippines (representing substantially all of the Company's oil production since 1994) is from mature offshore fields with high production costs. Since 1996, the Company has produced into barges, which transport the oil to market. Due to weather and other factors, the Company's production is generally highest during the first and fourth quarters of the year. The Company's margin on sales from these fields (the price received for oil less the production costs for the oil) is lower than the margin on oil production from many other areas. As a result, the profitability of the Company's production in the Philippines is affected more by changes in oil prices than production located in other areas.

The Company uses the successful efforts method to account for its investment in oil and gas properties whereby costs of productive wells, developmental dry holes and productive leases are capitalized and amortized using the units-of-production method based on estimated net proved reserves. The costs of development wells are capitalized but charged to expense if and when the well is determined to be unsuccessful. Geological and geophysical costs and the costs of carrying and retaining undeveloped properties are expensed as incurred.

CAPITAL RESOURCES AND LIQUIDITY

The Company's primary source of capital resources is derived predominantly from the sale of marketable securities, and the private placement of Common Stock, Preferred Stock and debt financing to fund its exploration operations.

The Company produces oil from the Matinloc and Nido fields in the South China Sea, located in the Philippines. During the year ended December 31, 1998, total production from the fields was

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VAALCO ENERGY, INC. AND SUBSIDIARIES MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

approximately 287,000 gross barrels of oil. Production in the first quarter of 1999 was 64,000 gross barrels of oil. Substantially all of the Company's crude oil and natural gas is sold at the well head at posted or index prices under short-term contracts, as is customary in the industry. The Company markets its share of crude oil under an agreement with Seaoil, a local Philippines refiner. While the loss of this buyer might have a material effect on the Company in the near term, management believes that the Company would be able to obtain other customers for its crude oil.

On April 21, 1998 VAALCO consummated the acquisition of 1818 Oil Corp. in exchange for 10,000 shares of Convertible Preferred Stock, Series A. The assets of 1818 Oil Corp. consisted at closing of a 7.5% limited partnership interest in Hunt with book value of \$2.8 million and \$12.6 million in cash. As a result of the voting control 1818 Oil Corp.'s shareholder obtained in the transaction, the 1818 Oil Corp. acquisition has been accounted for as a reverse acquisition and 1818 Oil Corp. is the acquiring entity for financial accounting purposes. The income statement presented for the prior year period are those of 1818 Oil Corp., not VAALCO, the legal acquirer. The results of operations of VAALCO are included in the accompanying financial statements for the periods subsequent to the date of the acquisition. Accordingly, a comparison of 1999 and 1998 results is not meaningful. The legal name of the registrant continues to be VAALCO Energy, Inc.

Hunt has entered into production sharing contracts and other arrangements which entitle it to explore for oil and gas, both onshore and offshore, on approximately 34 million acres in various countries, including Argentina, Canada, Ethiopia, Ghana, Niger and Peru. The partnership agreement of Hunt obligates the Company to contribute, when requested by Hunt, up to \$5.1 million to fund Hunt's exploration program of which \$0.7 million has been funded since the acquisition. In addition, if Hunt discovers oil, the Company may be required to contribute an additional \$7.5 million to fund the appraisal of the discovery. The \$12.6 million of cash which 1818 Oil Corp. had at the time of the acquisition has been pledged as cash collateral to secure a letter of credit payable to Hunt for cash calls associated with the partnership. If Hunt does not call such capital contributions as provided in the partnership agreement of Hunt, the cash collateral will be released to the Company.

During 1998, the Company issued 5.2 million shares of Common Stock in a private placement for proceeds of \$9.0 million net of \$0.8 million in fees and expenses. These amounts will be used to fund the Company's capital expenditure program, including investments in the Paramount joint venture and possible future acquisitions, and for general corporate purposes.

The Company has committed to invest \$3.0 million in the Paramount joint venture, \$2.7 million of which has already been funded as of the date of this filing. There can be no assurance that the Company will realize a return on this investment or that the Company's investment in the Paramount joint venture will be successful.

The Company continues to seek financing to fund the development of existing properties and to acquire additional assets. The Company will rely on the issuance of equity and debt securities, assets sales and cash flow from operations to provide the required capital for funding future operations. While there can be no assurance the Company will be successful in raising new

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VAALCO ENERGY, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

financing, management believes the prospects the Company has in hand will enable it to attract sufficient capital to fund required oil and gas activities.

During 1999, the Company anticipates that it will make capital expenditures on oil and gas properties of approximately \$4.0 million, including Hunt partnership expenditures, and a contribution of \$0.3 million to the Paramount joint venture. The Company has postponed drilling plans for exploration activities in Brazos County, Texas due to low oil prices. The anticipated capital expenditures exclude potential acquisitions. The Company believes the total net proceeds of \$22.6 million received from the 1998 private placement and cash acquired in 1818 Oil Corp. will be sufficient to fund the Company's capital budget through 1999.

YEAR 2000

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The Company, like other businesses, is facing the Year 2000 issue. Many computer systems and equipment with embedded chips or processors use only two digits to represent the calendar year. This could result in computational or operational errors as dates are compared across the century boundary causing possible disruptions in business operations. The Year 2000 issue can arise at any point in the Company's operations.

STATE OF READINESS

The Company began addressing the Year 2000 issue in 1997, with an initial assessment of Year 2000 readiness efforts for its foreign and domestic business units. Based on the initial assessment, the following items were acknowledged as areas for attention to ensure Year 2000 compliance:

1. Assessment of all systems for Year 2000 compliance.
2. Development of a project schedule for remediation or replacement of non-compliant systems.
3. Development of a project schedule for testing the compliant systems.
4. Development of a list of significant vendors/suppliers for surveying their Year 2000 readiness efforts.

The Year 2000 issue is being addressed within the Company by its domestic and foreign business units, and progress is reported periodically to management. The Company has committed necessary resources to conduct risk assessment and to take corrective actions.

THIRD PARTY RELATIONSHIPS

The Company's business units have contacted significant external parties, including suppliers and customers concerning their Year 2000 readiness efforts. To the best of the Company's knowledge these suppliers, customers and other entities appear to have addressed their Year 2000 issues as they pertain to the Company's operations.

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VAALCO ENERGY, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CONTINGENCY PLANNING

The Company has evaluated the need for a contingency plan for Year 2000 readiness, and determined such a plan is not necessary given the safety manuals and procedures already in effect for its production and other operations.

INDEPENDENT VERIFICATION AND VALIDATION

For the Philippine operations, an outside programmer was hired to review the systems and make the appropriate changes for Year 2000 compliance in their accounting systems. This is currently in process and it is expected the upgrade will be completed on or before June 30, 1999 at a total cost of approximately \$20 thousand net to the Company. As of December 31, 1998, the Company had incurred approximately \$15 thousand of this expense. For VAALCO's domestic and Gabon operations, upgrades of the current systems were completed by an independent source in the third quarter of 1998 at no expense to the Company.

The Company relies on third party suppliers for raw materials, water, utilities, transportation and other key services. Interruption of supplier operations due to Year 2000 issues could affect the Company's operations. Although these and other unanticipated Year 2000 issues could have an adverse effect on the results of operations or financial condition of the Company, it is not possible to anticipate the extent of impact or the worst case scenario at this time

ALL STATEMENTS REGARDING YEAR 2000 MATTERS CONTAINED IN THIS FORM 10-QSB ARE "YEAR 2000 READINESS DISCLOSURES" WITHIN THE MEANING OF THE YEAR 2000 INFORMATION AND READINESS DISCLOSURE ACT.

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VAALCO ENERGY, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The 1818 Oil Corp. acquisition has been accounted for as a reverse acquisition and 1818 Oil Corp. is the acquiring entity for accounting purposes. As such, the income statement presented for the prior year period are those of 1818 Oil Corp., not VAALCO, the legal acquirer. The results of operations of VAALCO are included in the accompanying financial statements for the periods subsequent to the date of the acquisition. Accordingly, a comparison of 1999 and 1998 interim results is not meaningful. The legal name of the registrant continues to be VAALCO Energy, Inc.

THREE MONTHS ENDED MARCH 31, 1999 COMPARED TO THREE MONTHS ENDED MARCH 31, 1998

REVENUES

Total revenues from oil and gas sales were \$126 thousand for the three months ended March 31, 1999. Substantially all revenues were from the Philippines.

OPERATING COSTS AND EXPENSES

Total production expenses for the three months ended March 31, 1999 were \$59 thousand. General and administrative expenses amounted to \$490 thousand.

OTHER INCOME (EXPENSE)

Interest income of \$259 thousand was received from amounts on deposit. Interest rates received were approximately 5.0% on invested funds. The equity loss in unconsolidated entities of \$511 thousand consisted of partnership expenses of \$336 thousand associated with the Hunt partnership, (consisting primarily of exploration expense for seismic in Ghana, dry hole expense for a well on the Rio Belgrano concession in Argentina and expenses for partnership general and administrative costs) and \$175 thousand of exploration expenses associated with the Paramount joint venture.

NET LOSS

Net loss attributable to common stockholders for the three months ended March 31, 1999 was \$652 thousand, compared to a net loss attributable to common stockholders of \$425 thousand for the same period in 1998. The net loss in 1999 was primarily due to exploration costs associated with the Hunt Partnership and the Paramount Joint Venture. The 1998 loss was due to accrued interest expense on funds advanced to 1818 Oil Corp. by the 1818 Fund II.

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VAALCO ENERGY, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

UNAUDITED PRO FORMA INFORMATION

The following summarizes pro forma financial information assuming the acquisition of 1818 Oil Corp. had occurred on January 1, 1998.

(THOUSANDS OF DOLLARS)

	Three months Ended MARCH 31, 1999	Three months Ended MARCH 31, 1998
	-----	-----
Total revenues.....	\$ 126	\$ 155
Loss before income taxes.....	(652)	(186)
Net loss attributable to common stockholders.....	(652)	(172)
Basic net loss per share.....	(0.03)	(0.01)

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is not presently a party to any material legal proceedings.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(A) EXHIBITS

2. Plan of acquisition, reorganization, arrangement, liquidation or succession

- 2.1 (a) Stock Acquisition Agreement and Plan of Reorganization dated February 17, 1998 by and among the Company and the 1818 Fund II, L.P.
- 2.2 (c) First Amendment to Stock Acquisition Agreement and Plan of Reorganization, dated April 21, 1998

4. Articles of Incorporation and Bylaws

- 3.1(b) Restated Certificate of Incorporation
- 3.2(b) Certificate of Amendment to Restated Certificate of Incorporation
- 3.3(b) Bylaws
- 3.4(b) Amendment to Bylaws
- 3.5(c) Designation of Convertible Preferred Stock, Series A

10. Material Contracts

- 10.1(d) Service Contract No. 6, dated September 1, 1973, among the Petroleum Board of the Republic of the Philippines and Mosbacher Philippines Corporation, ET AL, as amended.
 - 10.2(d) Operating Agreement dated January 1, 1975, among Mosbacher Philippines Corporation, Husky (Philippines) Oil, Inc. and Amoco Philippines Petroleum Company.
 - 10.3(d) Service Contract No. 14, dated December 17, 1975, among the Petroleum Board of the Republic of the Philippines and Philippines--Cities Service, Inc., ET AL, as amended.
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- 10.4(d) Operating Agreement, dated July 17, 1975, among Philippines--Cities Service, Inc., Husky (Philippines) Oil, Inc., Oriental Petroleum and Minerals Corporation, Philippines--Overseas Drilling & Oil Development Corporation, Basic Petroleum and Minerals, Inc., Landoil Resources Corporation, Westrans Petroleum, Inc. and Philippine National Oil Company, as amended.
 - 10.5(d) Memorandum of Understanding, dated April 2, 1979, among the Bureau of Energy Development of the Republic of the Philippines and Philippines--Cities Service, Inc., ET AL.
 - 10.6(d) Indemnity Agreement entered into among the Company and certain of its officers and directors listed therein.
 - 10.7(e) Exploration and Production Sharing contract between the Republic of Gabon and VAALCO Gabon (Equata), Inc. dated July 7, 1995.
 - 10.8(e) Exploration and Production Sharing contract between the Republic of Gabon and VAALCO Gabon (Etame), Inc. dated July 7, 1995.
 - 10.9(e) Deed of Assignment and Assumption between VAALCO Gabon (Etame), Inc., VAALCO Energy (Gabon), Inc. and Petrofields Exploration & Development Co., Inc. dated September 28, 1995.
 - 10.10(e) Deed of Assignment and Assumption between VAALCO Gabon (Equata), Inc., VAALCO Production (Gabon), Inc. and Petrofields Exploration & Development Co., Inc. dated September 8, 1995.
 - 10.11(f) Letter of Intent for Etame Block, Offshore Gabon dated January 22, 1997 between the Company and Western Atlas International, Inc.
 - 10.12(f) Farm In Agreement for Service Contract No. 14 Offshore Palawan Island, Philippines dated September 24, 1996 between the Company and SOCDT Production PTY, Ltd.
 - 10.13(f) Letter Agreement between the Company and Northstar Interests LLC. dated December 5, 1996.
 - 10.14(g) Registration Rights Agreement, dated July 28, 1997, by and among the Company, Jefferies & Company, Inc. and the investors listed therein.
 - 10.15(h) Warrant Agreement to Purchase Shares of Common Stock of VAALCO Energy, Inc., dated July 31, 1997, between VAALCO Energy, Inc. and Jefferies & Company, Inc.
 - 10.16(c) Registration Rights Agreement among the Company and The 1818 Fund II, L.P., dated April 21, 1998

- 10.17(c) Registration Rights Agreement dated April 21, 1998 by and among the Company, Jefferies & Company, Inc. and the investors listed therein.
- 10.18(i) Assignment Agreement between the Company, members of the Service Contract 14 Consortium and SOCDT dated December 29, 1998
- 21.1(i) Subsidiaries of the Registrant

27. Financial Data Schedule

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- (a) Filed as an exhibit to the Company's report on Form 8-K filed with the Commission on March 4, 1998 (file no. 000-20928) and hereby incorporated by reference herein.
 - (b) Filed as an exhibit to the Company's Registration Statement on Form S-3 filed with the Commission on July 15, 1998 and hereby incorporated by reference herein.
 - (c) Filed as an exhibit to the Company's Report on Form 8-K filed with the Commission on May 6, 1998 and hereby incorporated by reference herein.
 - (d) Filed as an exhibit to the Company's Form 10 (File No. 0-20928) filed on December 3, 1992, as amended by Amendment No. 1 on Form 8 on January 7, 1993, and by Amendment No. 2 on Form 8 on January 25, 1993, and hereby incorporated by reference herein.
 - (e) Filed as an exhibit to the Company's Form 10-QSB for the quarterly period ended September 30, 1995, and hereby incorporated by reference herein.
 - (f) Filed as an exhibit to the Company's Form 10-KSB for the quarterly period ended December 31, 1996, and hereby incorporated by reference herein.
 - (g) Filed as an exhibit to the Company's Form 10-QSB for the quarterly period ended June 30, 1997, and hereby incorporated by reference herein.
 - (h) Filed as an exhibit to the Company's Form 10-KSB for the year ended December 31, 1997, and hereby incorporated by reference herein.
 - (i) Filed as an exhibit to the Company's Form 10-KSB for the year ended December 31, 1998, and hereby incorporated by reference herein.

- (b) Reports on Form 8-K.
None

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SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

VAALCO ENERGY, INC.
(Registrant)

By /s/W. RUSSELL SCHEIRMAN

W. RUSSELL SCHEIRMAN, PRESIDENT,
CHIEF FINANCIAL OFFICER AND DIRECTOR
(on behalf of the Registrant and as the
principal financial officer)

Dated May 14, 1999

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THE FINANCIAL DATA SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE QUARTERLY PERIOD ENDED MARCH 31, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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