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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, 2003

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 X No ___.

As of May 14, 2003, there were outstanding 21,216,649 shares of Common Stock, \$.10 par value per share, of the registrant. In addition, as of such date there were outstanding 10,000 shares of Preferred Stock which are convertible into 27,500,000 shares of Common Stock.

Transitional Small Business Disclosure Format (Check one)
Yes ___ No X.

VAALCO ENERGY, INC. AND SUBSIDIARIES

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VAALCO ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Unaudited)

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

<TABLE>
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MARCH 31, December 31,
2003 2002

ASSETS

CURRENT ASSETS:		
<S>	<C>	<C>
Cash and cash equivalents	\$ 4,561	\$ 7,724
Funds in escrow	10,058	10,047
Receivables:		
Trade	4,301	3,271
Other	1,571	1,766
Accounts with partners	521	1,016
Inventories (including \$609 crude oil inventory in 2003)	1,344	795
Prepayments and other	705	422
	-----	-----
Total current assets	23,061	25,041
	-----	-----
PROPERTY AND EQUIPMENT-SUCCESSFUL EFFORTS METHOD:		
Wells, platforms and other production facilities	24,196	22,532
Undeveloped acreage	515	515
Work in progress	2,274	2,274
Equipment and other	134	127
	-----	-----
	27,119	25,448
Accumulated depreciation, depletion and amortization	(5,729)	(4,152)
	-----	-----
Net property and equipment	21,390	21,296
	-----	-----
OTHER ASSETS:		
Deferred tax asset	635	635
Funds in escrow	798	797
Other long-term assets	729	794
	-----	-----
TOTAL	\$ 46,613	\$ 48,563
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 2,982	\$ 9,397
Accounts with partners	1,532	1,365
Current portion of long term debt	4,000	3,000
Income taxes payable	1	-
	-----	-----
Total current liabilities	8,515	13,762
	-----	-----
DEFERRED TAX LIABILITIES	251	252
LONG TERM DEBT	14,538	15,376
FUTURE ABANDONMENT COSTS	2,761	3,294
	-----	-----
Total liabilities	26,065	32,684
	-----	-----
COMMITMENTS AND CONTINGENCIES		
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES	1,073	681
STOCKHOLDERS' EQUITY:		
Convertible preferred stock, \$25 par value, 500,000 shares authorized; 10,000 shares issued and outstanding in 2003 and 2002	250	250
Common stock, \$.10 par value, 100,000,000 authorized shares 21,307,350 shares issued of which 90,701 are in the treasury in 2003, 20,836,350 shares issued of which 5,395 were in the treasury in 2002	2,131	2,084
Additional paid-in capital	46,767	46,413
Subscription receivable	(569)	(569)
Accumulated deficit	(28,987)	(32,968)
Less treasury stock, at cost	(117)	(12)
	-----	-----
Total stockholders' equity	19,475	15,198
	-----	-----
TOTAL	\$ 46,613	\$ 48,563
	=====	=====

</TABLE>

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)

<TABLE>
<CAPTION>

Three Months Ended March 31,

2003 2002

<u><S></u>	<u><C></u>	<u><C></u>
REVENUES:		
Oil and gas sales	\$ 8,549	\$ 144
Total revenues	8,549	144
OPERATING COSTS AND EXPENSES:		
Production expenses	1,722	95
Exploration expense	49	--
Depreciation, depletion and amortization	1,508	5
General and administrative expenses	744	533
Total operating costs and expenses	4,023	633
OPERATING INCOME (LOSS)	4,526	(489)
OTHER INCOME (EXPENSE):		
Interest income	18	9
Interest expense	(588)	--
Other, net	(16)	(3)
Total other income (expense)	(586)	6
INCOME (LOSS) BEFORE TAXES, MINORITY INTEREST & CUMULATIVE EFFECT OF ACCOUNTING CHANGE	3,940	(483)
Income tax expense	1,284	2
INCOME (LOSS) BEFORE MINORITY INTEREST & CUMULATIVE EFFECT OF ACCOUNTING CHANGE	2,656	(485)
Minority interest in earnings of subsidiaries	(392)	1
Cumulative effect of accounting change	1,717	--
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ 3,981	\$ (484)
BASIC INCOME (LOSS) PER COMMON SHARE BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	\$ 0.11	\$ (0.02)
CUMULATIVE EFFECT OF ACCOUNTING CHANGE	0.08	--
BASIC INCOME (LOSS) PER COMMON SHARE	\$ 0.19	\$ (0.02)
DILUTED INCOME (LOSS) PER COMMON SHARE BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	\$ 0.03	\$ (0.02)
CUMULATIVE EFFECT OF ACCOUNTING CHANGE	0.03	--
DILUTED INCOME (LOSS) PER COMMON SHARE	\$ 0.06	\$ (0.02)
BASIC WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	21,054	20,745
DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	69,299	20,745

</TABLE>

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)

<TABLE>
<CAPTION>

	Three Months Ended March 31,	
	<u>2003</u>	<u>2002</u>
<u><S></u>	<u><C></u>	<u><C></u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 3,981	\$ (484)
Adjustments to reconcile net income (loss) to net cash provided (used in) operating activities:		
Depreciation, depletion and amortization	1,508	5
Non-cash compensation expense	276	--

Amortization of debt discount	161	--
Exploration expense	49	--
Cumulative effect of accounting change	(1,717)	--
Minority interest in earnings of subsidiary	392	(1)
Change in assets and liabilities that provided (used) cash:		
Funds in escrow	(1)	(5,565)
Trade receivables	(1,030)	42
Accounts with partners	662	4,228
Other receivables	195	25
Inventories	(549)	(682)
Prepayments and other	(283)	1
Accounts payable and accrued liabilities	(6,415)	3,618
Income taxes payable	(1)	2
	-----	-----
Net cash provided by (used in) operating activities	(2,772)	1,189
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Exploration Expense	(49)	--
Additions to property and equipment	(418)	(2,578)
Other	66	7
	-----	-----
Net cash used in investing activities	(401)	(2,571)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the issuance of common stock	125	--
Funds in escrow	(10)	--
Purchase of treasury shares	(105)	--
	-----	-----
Net cash provided by financing activities	10	--
	-----	-----
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,163)	(1,382)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	7,724	9,804
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 4,561	\$ 8,422
	=====	=====
Cash Income Taxes Paid	\$ 1,284	\$ --
	=====	=====

</TABLE>

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, 2003
(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, 2002.

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 consortiums internationally in Gabon and the Philippines. Domestically, the Company has interests in the Texas Gulf Coast area.

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

2. RECENT DEVELOPMENTS

On September 8, 2002 the Company, as operator of the Etame Field offshore Gabon, commenced production from the field at an average rate of

approximately of 14,500 BOPD. Production is from three subsea wells connected via flexible flowlines to a floating production storage and offloading tanker ("FPSO").

To fund its share of the development costs, on April 19, 2002, the Company entered into a \$10.0 million credit facility with the International Finance Corporation ("IFC"), a subsidiary of the World Bank. The credit facility required that the Company provide \$10.0 million of cash collateral to secure borrowings under the facility until the "project completion date." The project completion date was generally defined as the date after which the field had produced at an average rate of 14,250 BOPD for at least 90 days and the estimated net proved reserves attributable to the field is at least 16.5 million barrels of oil. The Company borrowed \$7.0 million of the \$10.0 million that it used as cash collateral from the 1818 Fund, which owns a majority of the Company's common stock on a fully diluted basis. Another investor that is not affiliated with the Company provided the \$3.0 million balance.

The Company was notified by the IFC that the project completion date occurred on March 31, 2003. On April 1, 2003, the \$10.0 million cash collateral posted by the Company was released. The \$10.0 million of cash collateral was repaid to the 1818 Fund and the investor

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VAALCO ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2003
(Unaudited)

on April 1, 2003. Also during April 2003, the Company paid accrued interest expense on the 1818 Fund loan of \$0.7 million.

In connection with the 1818 Fund loan, the Company issued warrants to purchase 15.0 million shares of its common stock to the 1818 Fund (7.5 million of which terminated when the loan was repaid on April 1, 2003). The Company issued the other lender warrants to purchase 4.5 million shares of common stock on the same terms as the warrants issued to the 1818 Fund (2.25 million of which terminated when the loan was repaid on April 1, 2003). As the Company only drew a total of \$10.0 million under the loan facility, the 1818 Fund will be required to return an additional 2.25 million warrants. A total of 7.5 million warrants to purchase shares of common stock will remain outstanding associated with the loan transaction. The Company was carrying unamortized debt discount of \$1.5 million associated with the issuance of the warrants at March 31, 2003, which amount will be expensed in connection with the repayment of the 1818 Fund loan in the second quarter of 2003.

3. EARNINGS PER SHARE

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

The Company accounts for earnings per share in accordance with Statement of Financial Accounting Standards ("SFAS") No. 128 - "Earnings per Share," which establishes the requirements for presenting earnings per share ("EPS"). SFAS No. 128 requires the presentation of "basic" and "diluted" EPS on the face of the income statement. Basic EPS is calculated using the average number of common shares outstanding during each period. Diluted EPS assumes the conversion of preferred stock to common stock and the exercise of all stock options having exercise prices less than the average market price of the common stock using the treasury stock method. The Company's preferred stock is convertible into 27.5 million shares of common stock.

4. FUTURE ABANDONMENT COSTS

In August 2001, FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible, long-lived assets and the associated asset retirement costs. This statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred by capitalizing it as part of the carrying amount of the long-lived assets. As required by SFAS No. 143, the Company adopted this new accounting standard on January 1, 2003. The statement requires the systematic, accretion and depreciation of future abandonment costs of tangible assets such as platforms, wells, service assets, pipelines, and other facilities. SFAS No. 143 requires that the fair value of a liability for an asset's retirement obligation be recorded in the period in which it is incurred if a reasonable estimate of fair value can be made, and that

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VAALCO ENERGY, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE THREE MONTHS ENDED MARCH 31, 2003
 (Unaudited)

the corresponding cost is capitalized as part of the carrying amount of the related long-lived asset. The liability is accreted to its then present value each period, and the capitalized cost is depreciated over the useful life of the related asset. If the liability is settled for an amount other than the recorded amount, a gain or loss is recognized.

Pursuant to the January 1, 2003 adoption of SFAS No. 143 the Company:

- . recognized a gain during the first quarter of 2003 of \$1.717 million for the cumulative effect of accounting change;
- . increased assets by \$1.252 million to add the net asset retirement costs to the carrying costs of the Company's oil and gas properties;
- . reduced the accrued liability for future abandonment costs by \$0.573 million to reflect the present day fair value of the asset retirement obligation ("ARO") liability;
- . increased accumulated depletion by \$0.109 million to record prior period depletion of the ARO asset.

Adopting SFAS No. 143 had no impact on our reported cash flows. During the quarter ending March 31, 2003, the company accrued \$41,000 in ARO liabilities to reflect the fair value of the ARO at March 31, 2003.

5. RECENT ACCOUNTING PRONOUNCEMENTS

In December 2002, FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of SFAS No. 123," which addresses alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. During the first quarter of 2003, an officer of the company performed a cashless exercise of options for 221,000 shares, resulting in compensation expense of \$276,250, which was recorded as general and administrative expense. The provisions of SFAS No. 148 had no material effect for the three months period ending March 31, 2003.

In November 2002, FASB Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," elaborates on the disclosure to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. This Interpretation also incorporates, without change, the guidance in FIN No. 34, which is being superceded. As set forth in the Interpretation, the disclosures required are designed to improve the transparency of the financial statement information about the guarantor's obligations and liquidity risks related to guarantees issued. The fair values of guarantees entered into after December 31, 2002, must be recorded as a liability of the guarantor in its financial statements. Existing guarantees as of December 31, 2002 are grandfathered from the

VAALCO ENERGY, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE THREE MONTHS ENDED MARCH 31, 2003
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recognition provisions, unless they are later modified, but they are still required to be disclosed.

The Company charters an FPSO for use in the Etame field, and as operator of the Etame field, guaranteed the charter payments through September 2004. The charter continues beyond that period unless one year's prior notice is given to the owner of the FPSO. The Company obtained several guarantees from its partners for their share of the charter payment. The Company's share of the charter payment is 28.1%. The estimated obligations for the full charter payment and the Company's share of the charter payments are as follows:

\$ thousands	Full Charter Payment	Company Share
	-----	-----
2003	\$ 13,887	\$ 3,902

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 does not presently engage in any hedging activities and has no plans to do so in the near future.

The Company participated in the development of the Etame Field, which the Company operates on behalf of a consortium of five companies offshore of the Republic of Gabon. Total cost of the development in 2002 was approximately \$57.3 million (\$17.4 million net to the Company inclusive of \$1.5 million for the Company share of the Gabon Government carried 7.5% interest) to execute the development project. In 2002, substantially all of the Company's capital resources and personnel were dedicated to the completion of the development project. The Company has budgeted approximately \$2.0 million in capital expenditures net to the Company in Gabon for 2003.

The Company's production in the Philippines is from mature offshore fields with high production costs. 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's results of operations are also affected by currency exchange rates. While oil sales are denominated in U.S. dollars, operating costs in the Philippines and a portion of operating costs in Gabon are denominated in local currencies. An increase in the exchange rate of the local currencies to the dollar will have the effect of increasing operating costs while a decrease in the exchange rate will reduce operating costs.

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

A substantial portion of the Company's oil production is located offshore of Gabon and the Philippines. In Gabon, the Company produces into a 1.1 million barrel tanker and sells cargoes to vessels of opportunity at spot market prices. In the Philippines, the Company produces into 10,000 to 15,000 barrel barges, which transport the oil to market. In the Philippines, due to weather and other factors, the Company's production is generally highest during the first and fourth quarters of the year. Weather is not normally a factor affecting Gabon oil sales.

CRITICAL ACCOUNTING POLICIES

The following describes the critical accounting policies used by VAALCO in reporting its financial condition and results of operations. In some cases, accounting standards allow more than one alternative accounting method for reporting, such is the case with accounting for oil and gas activities described below. In those cases, the Company's reported results of operations would be different should it employ an alternative accounting method.

Successful Efforts Method of Accounting for Oil and Gas Activities

The Securities and Exchange Commission ("SEC") prescribes in Regulation S-X the financial accounting and reporting standards for companies engaged in oil and gas producing activities. Two methods are prescribed: the successful efforts method and the full cost method. Like many other oil and gas companies, VAALCO has chosen to follow the successful efforts method. Management believes that this method is preferable, as the Company has focused on exploration activities wherein there are risk associated with future success and as such earnings are best represented by attachment to the drilling operations of the Company.

Costs of successful wells, development dry holes and leases containing productive reserves are capitalized and amortized on a unit-of-production basis over the life of the related reserves. For financial accounting purposes the Company adopted SFAS No. 143 - "Accounting for Asset Retirement Obligations" on January 1, 2003. This statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred by capitalizing it as part of the carrying amount of the long-lived assets. Other exploration costs, including geological and geophysical expenses applicable to undeveloped leasehold, leasehold expiration costs and delay rentals are expensed as incurred.

In accordance with accounting under successful efforts, the Company reviews proved oil and gas properties for indications of impairment whenever events or circumstances indicate that the carrying value of its oil and gas properties may not be recoverable. When it is determined that an oil and gas property's estimated future net cash flows will not be sufficient to recover its carrying amount, an impairment charge must be recorded to reduce the carrying amount of the asset to its estimated fair value. This may occur if a field discovers lower than anticipated reserves or if commodity prices fall below a level that significantly effects anticipated future cash flows on the field. The Company determines if an impairment has occurred through either identification of adverse changes or as a result of the annual review of all fields.

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

Undeveloped acreage and Work in Progress

At March 31, 2003, the Company had undeveloped acreage on its balance sheet totaling \$515,000, representing costs that are not being amortized pending evaluation of the respective leasehold for future development. The Company also had \$2.3 million of work in progress primarily in the form a suspended well and seismic costs in Gabon. Unproved properties are assessed quarterly for impairment in value, with any impairment charged to expense.

CAPITAL RESOURCES AND LIQUIDITY

Historically, the Company's primary source of capital resources has been from cash flows from operations, private sales of equity, borrowings and purchase money debt. During 2003, the Company anticipates participating in additional exploration opportunities on the Etame Block, which will be funded by cash flow from operations. Total capital expenditures for 2003 are budgeted to be \$2.0 million net to the Company.

In April 2002, the Company and its subsidiary that owns the Etame field entered into a \$10.0 million credit facility with the IFC to partially finance its share of the development costs of the Etame field. The Company's subsidiary made an initial borrowing of \$7.0 million in July 2002, and borrowed the balance of the loan in October 2002. Until the project completion date, the Company guaranteed the IFC loan and collateralized the loan with \$10.0 million of cash deposited in escrow. Project completion required gross production from the project is 14,250 BOPD for 90 days, estimated net proved reserves attributable to the field is 16.5 million barrels of oil and additional financial and other covenants to be satisfied. The Company borrowed \$7.0 million of the \$10.0 million that it used as cash collateral from the 1818 Fund, which owns a majority of the Company's common stock on a fully diluted basis. Another investor that is not affiliated with the Company provided the \$3.0 million balance.

The Company was notified by the IFC that the project completion date occurred on March 31, 2003. On April 1, 2003, the \$10.0 million cash collateral posted by the Company was released. The \$10.0 million of cash collateral was repaid to the 1818 Fund and the investor on April 1, 2003. Also in April 2003, the Company paid accrued interest expense on the 1818 Fund loan of \$0.7 million.

In connection with the 1818 Fund loan, the Company issued warrants to purchase 15.0 million shares of its common stock to the 1818 Fund (7.5 million of which terminated when the loan was repaid on April 1, 2003). The Company issued the other lender warrants to purchase 4.5 million shares of common stock on the same terms as the warrants issued to the 1818 Fund (2.25 million of which terminated

when the loan was repaid on April 1, 2003). As the Company only drew a total of \$10.0 million under the loan facility, the 1818 Fund will be required to return an additional 2.25 million warrants. A total of 7.5 million warrants to purchase shares of common stock will remain outstanding associated with the loan transaction. Each warrant entitles the holder to purchase one share of Company common stock for \$0.50 per share.

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

Concurrent with the loan transaction, the Company sold 9.9% of the common stock of the Company's subsidiary that owns the Etame project to the non-affiliated lender for \$3.3 million, which the Company used to finance a portion of the development costs of the field.

On September 8, 2002, the Company commenced production from the Etame field offshore Gabon. During the first quarter of 2003 the Company sold 1.09 million barrels (226,000 barrels net to the Company). The Company also produces oil from the Matinloc and Nido fields in the South China Sea, the Philippines. During the first quarter of 2003, total oil production from the fields was approximately 53,000 gross barrels (12,000 barrels net).

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. In Gabon, the Company markets its crude oil under an agreement with Shell Western Trading and Supply, Limited. The Company markets its share of Philippines crude oil under an agreement with Caltex, a local Philippines refiner. While the loss of these buyers 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.

Domestically, the Company produces from wells in Brazos County, Texas. The Company has access to several alternative buyers for oil and gas sales domestically.

RESULTS OF OPERATIONS

Three months ended March 31, 2003 compared to three months ended March 31, 2002

Revenues

Total revenues were \$8.5 million for the three months ended March 31, 2003 compared to \$144,000 for the comparable period in 2002. The increase in revenues was due to the startup of production from the Etame field in Gabon in September 2002.

Operating Costs and Expenses

Total production expenses for the three months ended March 31, 2003 were \$1.7 million compared to \$95,000 in 2002 also reflecting the startup of operations at the Etame field. Production expenses exclude \$609,000 of production costs which have been capitalized related to 111,000 net barrels of produced oil on board the FPSO, representing the Company's net share of crude oil inventory. Depreciation, depletion and amortization were \$1.5 million compared to \$5,000 in 2002. General and administrative expenses for the three months ended 2003 and 2002 were \$744,000 and \$533,000. General and administrative expenses in 2003 included \$276,250 of compensation expense associated with the cashless exercise of stock options by an officer of the Company.

Other Income (Expense)

Interest income of \$18,000 was received from amounts on deposit in 2003 compared to \$9,000 in the quarter ended March 31, 2002. Interest expense and financing charges for the IFC loan

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

and the 1818 Fund loan amounted to \$588,000 in the quarter ended March 31, 2003. The Company had no interest expense in the quarter ending March 31, 2002. The Company recognized a gain of \$1.7 million in the first quarter of 2003 from the change in accounting principle associated with the adoption of SFAS No. 143 - "Accounting for Asset Retirement Obligations."

Income Taxes

Income taxes amounted to \$1.3 million and \$2,000 for the quarters ending March 31, 2003 and 2002 respectively. The income tax in 2003 was paid in Gabon associated with production from the Etame field. 2002 income tax was associated with activity in the Philippines.

Minority Interest

The Company incurred \$392,000 in minority interest charges in the quarter ending March 31, 2003 associated with the VAALCO Energy (International), Inc. subsidiary that is 90.01% owned by the Company. A minority interest credit of \$1,000 was incurred associated with minority interests in Altisima Energy in the Philippines in the quarter ended March 31, 2002.

Net Income (Loss)

Net income attributable to common stockholders for the three months ended March 31, 2003 was \$4.0 million, compared to a net loss attributable to common stockholders of \$484,000 for the same period in 2002. The net income in 2003 was due to the startup of the Etame field in September 2002. Net income included a \$1.7 million one-time gain from the change in accounting principle associated with the adoption of SFAS No. 143 on January 1, 2003.

ITEM 3. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures. Based on their evaluation as of a date within 90 days of the filing date of this Quarterly Report on Form 10-Q, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934 (the "Exchange Act")) are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

(b) Changes in Internal Controls. There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

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PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

3. Articles of Incorporation and Bylaws
 - 3.1 Restated Certificate of Incorporation (incorporated by reference to exhibit 4.1 to the Company's Registration Statement on Form S-3 filed with the Commission on July 15, 1998, Reg. No. 333-59095).
 - 3.2 Certificate of Amendment to Restated Certificate of Incorporation (incorporated by reference to exhibit 4.2 to the Company's Registration Statement on Form S-3 filed with the Commission on July 15, 1998, Reg. No. 333-59095).
 - 3.3 Bylaws (incorporated by reference to exhibit 4.3 to the Company's Registration Statement on Form S-3 filed with the Commission on July 15, 1998, Reg. No. 333-59095).
 - 3.4 Amendment to Bylaws (incorporated by reference to exhibit 4.4 to the Company's Registration Statement on Form S-3 filed with the Commission on July 15, 1998, Reg. No. 333-59095).
 - 3.5 Designation of Convertible Preferred Stock, Series A (incorporated by reference to exhibit 4.1 to the Company's Report on Form 8-K filed with the Commission on May 6, 1998, File No. 000-20928)
99. Additional exhibits
 - 99.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act Of 2002.
 - 99.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act Of 2002.

(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 15, 2003

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CERTIFICATIONS

I, Robert L. Gerry, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of VAALCO Energy, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Day: May 15, 2003

By: /s/ Robert L. Gerry

Robert L. Gerry, Chief Executive Officer
(principal executive officer)

CERTIFICATIONS

I, W. Russell Scheirman, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of VAALCO Energy, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Day: May 15, 2003

By: /s/ W. Russell Scheirman

 W. Russell Scheirman, President and Chief Financial Officer
 (principal financial officer)

EXHIBIT INDEX

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CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of VAALCO Energy, Inc. (the "Company") on Form 10-QSB for the quarterly period ended March 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert L. Gerry, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. (s) 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 15, 2003

/s/ Robert L. Gerry

Robert L. Gerry, Chief Executive Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of VAALCO Energy, Inc. (the "Company") on Form 10-QSB for the quarterly period ended March 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, W. Russell Scheirman, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. (S) 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 15, 2003

/s/ W. Russell Scheirman

W. Russell Scheirman, CEO