

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report
April 21, 1998

VAALCO ENERGY, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE 000-20928 76-0274813
(STATE OR OTHER JURISDICTION OF (COMMISSION FILE NUMBER) (I.R.S. EMPLOYER
INCORPORATION OR ORGANIZATION) IDENTIFICATION NUMBER)

4600 POST OAK PLACE, SUITE 309
HOUSTON, TEXAS 77027
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(713) 623-0801
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

=====

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. ALTHOUGH THE COMPANY BELIEVES THAT THE ASSUMPTIONS UPON WHICH SUCH FORWARD-LOOKING STATEMENTS ARE BASED ARE REASONABLE, IT CAN GIVE NO ASSURANCES THAT SUCH ASSUMPTIONS 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 HEREIN AND 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.

ITEM 1. CHANGES IN CONTROL OF REGISTRANT

See response to Item 2, which is incorporated herein by reference.

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

On April 21, 1998, VAALCO Energy, Inc. ("VAALCO") consummated the acquisition (the "Acquisition") of 1818 Oil Corp. ("1818 Corp.") from The 1818 Fund II, L.P. (the "Fund") in exchange for 10,000 shares of its Convertible Preferred Stock, Series A ("Preferred Stock"). The Preferred Stock is convertible into 27.5 million shares (57% following such conversion) of common stock, \$0.01 par value per share ("Common Stock") of VAALCO. In addition, the Fund simultaneously acquired 3,763,441 shares of Common Stock for \$7 million in cash. Prior to conversion, the holder of the Preferred Stock votes on an as converted basis with the Common Stock and is entitled to receive any dividends declared with respect to the Common Stock on an as converted basis. Taken together with the Common Stock acquired by the Fund, the Fund will be entitled to vote 31,263,441 shares (65%) of Common Stock on all matters submitted to holders of Common Stock.

The principal asset of 1818 Corp. is a 7.5% limited partner interest in Hunt Overseas Exploration Company, L.P., ("Hunt") which has exploration prospects in a number of international areas. The general partner of Hunt is Hunt Overseas Operating Company ("HOOC"), a subsidiary of Hunt Oil Company, which has extensive experience in international exploration and development operations.

Under the partnership agreement of Hunt, 1818 Corp. has an obligation to contribute \$5.1 million to fund its share of the exploration costs of Hunt. In addition, if Hunt discovers oil or gas deposits, 1818 Corp. will be required to contribute an additional \$7.5 million to fund appraisal costs. Immediately prior to the closing of the Acquisition, 1818 Corp. deposited cash in the amount of \$12.6 million with a commercial bank that will hold such cash as collateral for a letter of credit issued by the bank in favor of Hunt to secure the Company's obligations to make future capital contributions. If Hunt does not

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call such capital contributions as provided in the partnership agreement of Hunt, the cash collateral will be released to the Company.

The Fund, as the holder of the Preferred Stock, has the right to vote as a class with the holders of Common Stock on all matters submitted to a vote of the holders of Common Stock on an "as converted basis." Following the Offering, the Fund will own Common Stock and Preferred Stock which will in the aggregate represent approximately 65% of the outstanding voting power of the Company on an

as converted basis (excluding options and warrants), and will therefore have the ability to control the vote on all matters submitted to a vote of the holders of the Common Stock, including the election of directors.

In addition, the holder of the Preferred Stock has the right to appoint three directors of the Company, voting separately as a class. The Fund, as holder of the Preferred Stock, has appointed Lawrence C. Tucker, T. Michael Long and Walter W. Grist as directors of VAALCO pursuant to the provisions of the Preferred Stock. The following is a description of the business history of Messrs. Tucker, Long and Grist:

Lawrence C. Tucker - Mr. Tucker is a general partner of Brown Brothers Harriman & Co. ("BBH&Co."), a private banking company, and has been with BBH&Co. for 31 years. Mr. Tucker currently serves as a member of the Steering Committee of BBH&Co. With T. Michael Long, Mr. Tucker is responsible for the corporate finance activities of BBH&Co., including management of the 1818 Funds, private equity investing partnerships with committed capital exceeding \$1 billion. Mr. Tucker is a director of WorldCom, Inc., Riverwood International Corporation, National Healthcare Corporation and WellCare Management Group, Inc. Mr. Tucker has a B.S. degree from Georgia Institute of Technology and an MBA from the Wharton School of the University of Pennsylvania.

T. Michael Long - Mr. Long is a general partner of BBH&Co. and has been with BBH&Co. for 27 years. With Mr. Tucker, Mr. Long is responsible for the corporate finance activities of BBH&Co., including management of the 1818 Funds, private equity investing partnerships with committed capital exceeding \$1 billion. Mr. Long received a B.A. degree from Harvard College in 1965 and he received an MBA from The Harvard University Graduate School of Business in 1971. Mr. Long is a director of Columbia/HCA Healthcare Corporation, Gulf Canada Resources Limited and Gulf Indonesia Resources Limited.

Walter W. Grist - Mr. Grist has been with BBH&Co. for over 30 years. Mr. Grist is one of several managers of the 1818 Funds, private equity investing partnerships with committed capital exceeding \$1 billion. Mr. Grist received his B.S. degree in Business Administration at New York University in 1965. Mr. Grist is a director of Computerized Medical Systems, Inc., Steri-Oss, Inc., and WellCare Management Group, Inc.

In connection with the consummation of the acquisition of Hunt, the Company issued 5,183,441 shares of its Common Stock in a private placement for aggregate gross

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proceeds of \$9.8 million. Of these shares, 3,763,441 were acquired by the Fund. VAALCO will use the proceeds of this offering to fund its capital budget, including possible future acquisitions, and for general corporate purposes.

In addition, in connection with the consummation of the acquisition of Hunt, the Company entered into an agreement with Paramount Petroleum Company and its owner Robert Schneeflock to explore for oil and gas in the Gulf Coast area. The Company has committed to fund up to \$3.0 million to fund exploration activities of the joint venture.

ADDITIONAL RISK FACTORS

In addition to the risk factors described in the Company's Forms 10-KSB and elsewhere in its filings with the Securities and Exchange Commission, investors should also consider the following risks associated with the transactions described in this Report on Form 8-K:

CHANGE OF CONTROL

The Fund owns Common Stock and Preferred Stock which vote as a class with the Common Stock on an as converted basis, and which will in the aggregate represent approximately 65% of the outstanding voting power of the Company on an as converted basis (excluding options and warrants). In addition, the terms of the Preferred Stock provide that while the Preferred Stock is outstanding, the holders of Preferred Stock voting together as a class will be entitled to elect three directors of the Company. Accordingly, the Fund will be able to control all matters submitted to a vote of the stockholders of the Company, including the election of directors.

In connection with the Hunt Transaction, the Company made certain changes to its bylaws which require that at least a majority of the directors constituting the entire board of directors, which majority must include at least one of the directors elected by the holders of Preferred Stock, approve each of the following transactions effected by either the Company or, as applicable, any subsidiary of the Company: any issuance of or agreement to issue any equity securities, including securities convertible into or exchangeable for such equity securities (other than issuances pursuant to an employee benefit plan); the declaration of any dividend; the incurrence, assumption of or refinancing of indebtedness; the adoption of any employee stock option or similar plan; entering into employment or consulting agreements with annual compensation exceeding \$100,000; any merger or consolidation; the sale, conveyance, exchange or transfer of the voting stock or all or substantially all of the assets; the sale or other disposition to another person, or purchase, lease or other acquisition from another person, of any material assets, rights or properties; certain expenditures in excess of \$300,000; the formation of any entity that is not wholly-owned by the Company; material changes in accounting methods or policies; any amendment, modification or restatement of the certificate of

incorporation or bylaws; the settlement of any claim or other action against the Company or subsidiary in an amount in excess of \$50,000; approval or amendment of the annual operating budget; any other action which is not in the ordinary course of business; and the

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agreement to take any of the foregoing actions. Accordingly, none of the foregoing actions can be taken by the Company without the approval of at least one director designated by the holders of the Preferred Stock.

INVESTMENT IN HUNT

Upon consummation of the Hunt Transaction, the Company will be a limited partner in Hunt. All decisions concerning the operations of Hunt will be made by the general partner of Hunt without the consent of the limited partners. Accordingly, the Company will not be able to control, and may not be able to influence, decisions with respect to operations of Hunt, including decisions regarding the purchase of concessions and other interests, exploration and development operations (including the location, testing, completing or plugging and abandoning of wells, as well as the gathering of seismic and other geophysical data), farm out and other participation agreements, the acquisition or sale of real and personal property, insurance coverage, bank and other financings and other matters significant to the operations of Hunt.

The exploration activity of Hunt is ongoing. To date, Hunt's exploration activities have not resulted in the discovery of any commercial oil or gas reserves. No assurance can be given that Hunt's activities will ever result in any commercial production or that the Company will realize a return on its investment in Hunt. Hunt's operations are subject to risks applicable to the oil and gas industry in general as well as to risks inherent in foreign operations, and are subject to many of the risks described in the Company's Form 10-KSB.

RESALES OF COMMON STOCK OFFERED HEREBY, SHARES ELIGIBLE FOR FUTURE SALE

Commencing April 21, 1999, Rule 144 of the Securities Act will permit the persons who purchased Common Stock in the Offering to sell, within any three month period, a portion of the shares of Common Stock purchased by them not exceeding the greater of 1% of the outstanding shares (approximately 207,500 shares upon consummation of the Offering and the Hunt Transaction) or the average weekly trading volume in the Common Stock during the four calendar weeks preceding such sale. Sales under Rule 144 also are subject to certain manner of sale provisions, notice requirements and the availability of current public information about the Company. A person who has not been an affiliate of the Company at any time during the three months preceding a sale, and who has beneficially owned shares for at least two years, is entitled to sell such shares under Rule 144 without regard to the volume limitations, manner of sale provisions or notice or current public information requirements. Affiliates of the Company continue to be subject to the volume limitations and other requirements of Rule 144, regardless of the period of time they have held their shares.

The Company, the Fund and the purchasers of Common Stock in the Offering have entered into a registration rights agreement under which the Fund and such purchasers have the right to require the Company to register under the U.S. securities laws any shares of Common Stock owned by the Fund or such purchasers. The Fund and such purchasers

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also have the right to include shares of Common Stock owned by them in registration statements filed by the Company. Sales or the possibility of sales of such Common Stock in the public market could adversely affect the prevailing market price of the Common Stock.

QUALIFICATION OF NET OPERATING LOSS CARRY FORWARD

As of December 31, 1996, VAALCO had a net operating loss carry forward of \$13.2 million for federal income tax purposes, and 1818 Corp. had a net operating loss carry forward of from \$10 million to \$12 million. As a result of the acquisition of the capital stock of 1818 Corp., the net operating loss of the Company which otherwise could have been used to offset future taxable income will be limited to \$1.6 million during any year. The net operating losses of 1818 Corp. will not be affected by the transaction.

ITEM 3. BANKRUPTCY OR RECEIVERSHIP

Not applicable

ITEM 4. CHANGES IN REGISTRANT'S CERTIFYING ACCOUNTANTS

Not applicable

ITEM 5. OTHER EVENTS

Not applicable

ITEM 6. RESIGNATION OF REGISTRANT'S DIRECTORS

Not applicable

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial Statements of Businesses Acquired

1. Financial Statements of 1818 Oil Corp.

It is impracticable to provide the required financial statements by the date this Report is required to be filed with the Securities and Exchange Commission (the "Commission") and the financial statements are currently not available. The Company will provide such statements under cover of Form 8-K/A as soon as practical, but in any event not later than 60 days after the date this Report is required to be filed with the Commission.

(b) Pro forma Financial Information

1. Unaudited Pro Forma Financial Statements of VAALCO Energy, Inc.

The unaudited pro forma financial statements of VAALCO Energy, Inc. are attached as Schedule A to this Form 8-K.

(c) Exhibits

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EXHIBIT
NUMBER

DESCRIPTION

1. Underwriting Agreement*
2. Plan of acquisition, reorganization, arrangement, liquidation or succession
 - 2.1 Stock Acquisition Agreement and Plan of Reorganization, dated February 17, 1998, by and among the Company and the Fund**
 - 2.2 First Amendment to Stock Acquisition Agreement and Plan of Reorganization, dated April 21, 1998.
 - 2.3 Registration Rights Agreement among the Company and The 1818 Fund II, L.P., dated April 21, 1998
 - 2.4 Registration Rights Agreement among the Company and the purchasers of Common Stock in a private placement dated April 21, 1998
4. Instruments defining the rights of holders, including indentures
 - 4.1 Designation of Convertible Preferred Stock, Series A, as filed with the Delaware Secretary of State
16. Letter re change in certifying accountant*
17. Letter on director resignation*
20. Other documents or statements to securityholders*
23. Consents of experts and counsel*
24. Power of attorney*
27. Financial Data Schedule*
99. Additional exhibits
 - 99.1 Company's Press Release, dated February 17, 1998 pertaining to the Agreement**
 - 99.2 Press Release dated April 23, 1998

- - - - -
* Inapplicable to this filing
** Previously filed

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ITEM 8. CHANGE IN FISCAL YEAR

Not applicable

ITEM 9. SALES OF EQUITY SECURITIES PURSUANT TO REGULATION S

Not applicable

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SIGNATURES

Pursuant to 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 hereunto duly authorized.

VAALCO ENERGY, INC.

May 6, 1998

By: /s/ W. RUSSELL SCHEIRMAN
W. Russell Scheirman
President & Chief Financial
Officer

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INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
2.2	First Amendment to Stock Acquisition Agreement and Plan of Reorganization, dated April 21, 1998.
2.3	Registration Rights Agreement among the Company and The 1818 Fund II, L.P., dated April 21, 1998
2.4	Registration Rights Agreement among the Company and the purchasers of Common Stock in a private placement dated April 21, 1998
4.1	Designation of Convertible Preferred Stock, Series A, as filed with the Delaware Secretary of State
99.2	Press Release dated April 23, 1998

Schedule A

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

The following unaudited pro forma consolidated financial statements have been prepared based on historical financial statements of the Company and 1818 Corp. as of and for the year ended December 31, 1997. The pro forma financial statements give effect to the Company's proposed Hunt Transaction and the Offering (the "Transactions"). The Hunt Transaction will be accounted for as a reverse acquisition and 1818 Corp. will be the acquiring entity for accounting purposes.

The unaudited pro forma consolidated financial statements have been prepared under the purchase method of accounting. Under this method of accounting, based on a preliminary allocation of the purchase price of the Company, its identifiable assets and liabilities have been adjusted to their estimated fair values. The preliminary purchase price allocations are based upon estimates and assumptions which are subject to subsequent determination and more detailed analysis, receiving final detailed appraisals and evaluations of specific assets and liabilities. The final allocation of the purchase price may differ from the amounts contained in these unaudited pro forma consolidated financial statements.

The unaudited pro forma condensed balance sheet was prepared assuming the Transactions occurred on December 31, 1997 and gives effect to events directly attributable to these Transactions. The unaudited pro forma income statements were prepared as if the Transactions occurred at the beginning of each period presented and give effect to events directly attributable to the Transactions which are expected to have a continuing impact on the Company.

The unaudited pro forma consolidated financial statements have been prepared based on the foregoing and on certain assumptions described in the notes thereto. Such statements should be read in conjunction with the historical financial statements of the Company including the notes thereto, included as exhibits, and "Management's Discussion and Analysis of Financial Condition and Results of Operations," that are included elsewhere herein. The following unaudited pro forma consolidated financial statements do not purport to be indicative of the financial position or results of operations that would have been reported had the Transactions been effected on the dates indicated, or that may be reported in the future.

VAALCO ENERGY, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA BALANCE SHEET

DECEMBER 31, 1997

(IN THOUSANDS, EXCEPT PAR VALUE AMOUNTS)

<TABLE>

<CAPTION>

	HISTORICAL				
	VAALCO	1818 CORP.	HUNT TRANSACTION ADJUSTMENTS	OFFERING/FUND INVESTMENT ADJUSTMENTS	PRO FORMA
<S>	<C>	<C>	<C>	<C>	<C>
ASSETS					
Current Assets:					
Cash and cash equivalents.....	\$ 3,379	\$ 32	\$ (32) (1)	\$ 9,200 (2)	\$ 12,579
Receivables:					
Trade.....	1,527	--	--	--	1,527
Other.....	655	--	--	--	655
Materials and supplies.....	361	--	--	--	361
Prepaid expenses and other.....	6	--	--	--	6
Total current assets.....	5,928	32	(32)	9,200	15,128
Property and Equipment—Successful Efforts Method:					
Wells, platforms and other production facilities.....	46,977	--	--	--	46,977
Undeveloped acreage.....	867	--	--	--	867
Equipment and other.....	242	--	--	--	242

	48,086	--	--	--	48,086
Accumulated depreciation, depletion and amortization.....	(46,330)	--	--	--	(46,330)
Net property and equipment.....	1,756	--	--	--	1,756
Other Assets:					
Investment in partnership.....	--	1,804	--	--	1,804
Other long-term assets.....	129	--	--	--	129
Advances - related parties.....	42	--	--	--	42
Other investments.....	300	--	--	--	300
	412	--	13,657 (1)	--	14,069
TOTAL.....	\$ 8,567	\$ 1,836	\$13,625	\$ 9,200	\$ 33,228
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)					
Current Liabilities:					
Accounts payable.....	\$ 2,346	\$ --	\$ --	\$ --	\$ 2,346
Accrued liabilities.....	130	2,872	(2,872) (1)	--	130
Accounts with partners.....	566	--	--	--	566
Deferred income tax.....	86	--	--	--	86
Current portion of debt obligations....	--	12,295	(12,295) (1)	--	--
Total current liabilities.....	3,128	15,167	(15,167)	--	3,128
Future abandonment costs.....	4,277	--	--	--	4,277
Total liabilities.....	7,405	15,167	15,167	--	7,405
Commitments and contingencies.....					
Total stockholders' equity (deficit)....	1,162	(13,331)	28,792	9,200 (2)	25,823
TOTAL.....	\$ 8,567	\$ 1,836	\$13,625	\$ 9,200	\$ 33,228

</TABLE>

See Notes to Unaudited Pro Forma Financial Statements.

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VAALCO ENERGY, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA STATEMENT OF OPERATIONS
TWELVE MONTHS ENDED DECEMBER 31, 1997
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>

<CAPTION>

	HISTORICAL			
	VAALCO	1818 CORP.	ADJUSTMENTS	PRO FORMA
<S>	<C>	<C>	<C>	<C>
Revenues:				
Oil and gas sales.....	\$ 2,273	\$ --	\$ --	\$ 2,273
Gain on sale of assets.....	4,164	--	--	4,164
Total revenues.....	6,437	--	--	6,437
Operating Costs and Expenses:				
Production expenses.....	1,426	--	--	1,426
Exploration costs.....	46	--	--	46
Depreciation, depletion and amortization	493	--	--	493
General and administrative expenses....	1,821	--	--	1,821
Total operating costs.....	3,786	--	--	3,786
Operating Income.....	2,651	--	--	2,651
Other Income (Expense):				
Interest income.....	85	1	(1) (3)	85
Interest expenses and financing charges	(175)	(1,717)	1,717 (3)	(175)
Net increase in unrealized depreciation	--	(14,590)	--	(14,590)
Other income, net.....	(99)	--	--	(99)
Total other income (expense).....	(189)	(16,306)	1,716	(14,779)
Income (Loss) Before Taxes.....	2,462	(16,306)	1,716	(12,128)
Income Tax Expense.....	(126)	--	--	(126)
Net Income (Loss).....	2,336	(16,306)	1,716	(12,254)
Preferred Dividends.....	(56)	--	--	(56)
Net Income (Loss) Attributable to Common Stockholders.....	\$ 2,280	\$ (16,306)	\$ 1,716	\$ (12,310)
Income (Loss) per Common Share:				
Basic.....	\$ 0.19			\$ (0.73)
Diluted.....	\$ 0.18			\$ (0.73)
Weighted Average Common Shares:				

Basic.....	11,839	7,022 (4)
	=====	=====
Diluted.....	12,891	45,574
	=====	=====

</TABLE>

See Notes to Unaudited Pro Forma Financial Statements.

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NOTES TO UNAUDITED PRO FORMA FINANCIAL STATEMENTS

- (1) Represent the adjustments to reflect the acquisition by VAALCO from the Fund of all the outstanding capital stock of 1818 Corp. in exchange for 10,000 shares of Preferred Stock which are convertible into 27.5 million shares of Common Stock of VAALCO. The Hunt Transaction will be accounted for as a reverse acquisition and 1818 Corp. will be the acquiring entity for accounting purposes.

Adjustments are for fair values of identifiable assets and certain events directly attributable to the Transactions. Such items include:

- (a) Restricted cash of \$13.6 million, and
 - (b) The elimination of certain liabilities associated with future commitments of \$15.2 million.
- (2) Represents the adjustments to record the proceeds from the issuance of 5,183,441 shares of Common Stock net of \$0.6 million in fees and expenses.
- (3) To eliminate interest expense on indebtedness payable by 1818 Corp. to the Fund. The indebtedness will be contributed by the Fund to 1818 Corp. in connection with the closing of the Transactions.
- (4) Issuance of the 5,183,441 shares of Common Stock net of fees and expenses of \$0.6 million.

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VAALCO ENERGY, INC.

EXHIBITS

1. Form 10-KSB of VAALCO Energy, Inc. for the Year Ended December 31, 1997.
2. Audited Financial Statements of 1818 Oil Corp.
3. Unaudited Pro Forma Financial Statements of VAALCO Energy, Inc. for the Year Ended December 31, 1997.

FIRST AMENDMENT
TO
STOCK ACQUISITION AGREEMENT
AND
PLAN OF REORGANIZATION

WHEREAS, VAALCO Energy, Inc. ("Vaalco"), The 1818 Fund II, L.P. (the "Fund") and 1818 Oil Corp. (the "Company") have entered into a Stock Acquisition Agreement and Plan of Reorganization dated as of February 17, 1998 (the "Agreement"); and

WHEREAS, the parties to the Agreement desire to amend the Agreement in certain respects as further set forth below;

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. The first sentence of Section 2.1 of the Agreement shall be revised to read:

"Subject to the terms and conditions herein set forth, (i) Vaalco agrees that it will acquire, and the Fund agrees to transfer to Vaalco, 229 shares of the common stock, \$.01 par value (the "Company Shares"), of the Company, and (ii) the Fund agrees to acquire shares (the "Vaalco Common Shares") of common stock of Vaalco, \$0.10 par value ("Vaalco Common Stock") in an aggregate amount of \$7,000,000."

2. The first sentence of Section 8.3 (1) of the Agreement shall be revised to read:

"Vaalco shall have arranged for the sale of Vaalco Common Stock simultaneously with (or prior to) the Closing for an aggregate consideration in an amount not less than \$2,200,000, with the closing of such sale to occur on the same date as (or prior to) the Closing and the proceeds of such sale to be transferred to Vaalco simultaneously with the closing of such sale; provided, that the sum of (x) the placement agent fees incurred in connection with such sale and (y) the amounts payable by Vaalco in respect of any and all related costs and expenses with respect to such sale (including, without limitation, the disbursements of the placement agent and all legal, accounting and printing expenses required to be paid by Vaalco) shall in no event be in excess of \$1.1 million."

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date first written above.

VAALCO ENERGY, INC.

By: /s/ ROBERT L. GERRY
Robert L. Gerry III
Chief Executive Officer

THE 1818 FUND II, L.P.
By: Brown Brothers Harriman
& Co., general partner

By: /s/ THE 1818 FUND II, L.P.
1818 OIL CORP.

By: /s/ 1818 OIL CORP.

REGISTRATION RIGHTS AGREEMENT

between

VAALCO ENERGY, INC.

and

THE 1818 FUND II, L.P.

 Dated April 21, 1998

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1. Background. Pursuant to a Stock Acquisition Agreement and Plan of Reorganization, dated February 17, 1998 (the "Purchase Agreement"), among the Company, the Purchaser and 1818 Oil Corp., a Delaware corporation, the Purchaser has agreed to purchase from the Company, and the Company has agreed to issue to the Purchaser (i) an aggregate of 10,000 shares of preferred stock, par value \$25.00 per share (the "Preferred Stock"), of the Company and (ii) an aggregate of 3,763,441 shares of common stock, par value \$.01 per share (the "Common Stock"), of the Company. Capitalized terms used herein but not otherwise defined shall have the meanings given them in Section 3.

2. Registration Under Securities Act, etc.

2.1 Registration on Request.

(a) Request. At any time, or from time to time, one or more holders (the "Initiating Holders") of not less than 20% of the Purchaser Stock may, upon written request, require the Company to effect the registration under the Securities Act of any Registrable Securities held by such Initiating Holders. The Company promptly will give written notice of such requested registration to all other holders of Registrable Securities who may join in such registration, and thereupon the Company will use its best efforts to effect, at the earliest possible date, the registration under the Securities Act

(i) the Registrable Securities that the Company has been so requested to register by such Initiating Holders, and

(ii) all other Registrable Securities that the Company has been requested to register by the holders thereof (such holders together with the Initiating Holders hereinafter are referred to as the "Selling Holders") by written request given to the Company within 30 days after the giving of such written notice by the Company, all to the extent requisite to permit the disposition of the Registrable Securities so to be registered.

(b) Registration of Other Securities. Whenever the Company shall effect a registration pursuant to this Section 2.1, no securities other than Registrable Securities shall be included among the securities covered by such registration unless (subject to Section 2.1(f)) the Selling Holders of not less than 51% of all Registrable Securities to be covered by such registration shall have consented in writing to the inclusion of such other securities.

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(c) Registration Statement Form. Registrations under this Section 2.1 shall be on such appropriate registration form of the Commission as shall be reasonably selected by the Company.

(d) Effective Registration Statement. A registration requested pursuant to this Section 2.1 shall not be deemed to have been effected (i) unless a registration statement with respect thereto has become effective and remained effective in compliance with the provisions of the Securities Act with respect to the disposition of all Registrable Securities covered by such registration statement until the earlier of (x) such time as all of such Registrable Securities have been disposed of in accordance with the intended methods of disposition by the seller or sellers thereof set forth in such registration statement and (y) 180 days after the effective date of such registration statement, except with respect to any registration statement filed pursuant to Rule 415 under the Securities Act, in which case the Company shall use its best efforts to keep such registration statement effective until such time as all of the Registrable Securities cease to be Registrable Securities, (ii) if after it has become effective, such registration is interfered with by any stop order, injunction or other order or requirement of the Commission or other governmental agency or court for any reason not attributable to the Selling Holders and has not thereafter become effective, or (iii) if the conditions to closing specified in the underwriting agreement, if any, entered into in connection with such registration are not satisfied or waived, other than solely by reason of a failure on the part of the Selling Holders.

(e) Selection of Underwriters. The underwriter or underwriters of each underwritten offering of the Registrable Securities so to be registered shall be selected by the Selling Holders of more than 50% of the Registrable Securities to be included in such registration and shall be reasonably acceptable to the Company.

(f) Priority in Requested Registration. If the managing underwriter of any underwritten offering shall advise the Company in writing (and the Company shall so advise each Selling Holder of Registrable Securities requesting registration of such advice) that, in its opinion, the number of securities requested to be included in such registration exceeds the number that can be sold in such offering within a price range acceptable to the Selling Holders of 66-2/3% of the Registrable Securities requested to be

included in such registration, the Company, except as provided in the following sentence, will include in such registration, to the extent of the number and type that the Company is so advised can be sold in such offering, Registrable Securities requested to be included in such registration, pro rata among the Selling Holders requesting such registration on the basis of the estimated gross proceeds from the sale thereof. If the total number of Registrable Securities requested to be included in such registration cannot be included as provided in the preceding sentence, holders of Registrable Securities requesting registration thereof pursuant to Section 2.1, representing not less than 33-1/3% of the Registrable Securities with respect to which registration has been requested and

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constituting not less than 66-2/3% of the Initiating Holders, shall have the right to withdraw the request for registration by giving written notice to the Company within 20 days after receipt of such notice by the Company and, in the event of such withdrawal, such request shall not be counted for purposes of the requests for registration to which holders of Registrable Securities are entitled pursuant to Section 2.1 hereof. In connection with any such registration to which this Section 2.1(f) is applicable, no securities other than Registrable Securities shall be covered by such registration.

(g) Limitations on Registration on Request.

Notwithstanding anything in this Section 2.1 to the contrary, in no event will the Company be required to effect, in the aggregate, more than three registrations pursuant to this Section 2.1.

(h) Expenses. The Company will pay all Registration Expenses in connection with any registration requested pursuant to this Section 2.1.

2.2 Incidental Registration.

(a) Right to Include Registrable Securities. If the Company at any time proposes to register any shares of Common Stock or any securities convertible into Common Stock under the Securities Act by registration on any form other than Forms S-4 or S-8, whether or not for sale for its own account, it will each such time give prompt written notice to all registered holders of Registrable Securities of its intention to do so and of such holders' rights under this Section 2.2. Upon the written request of any such holder (a "Requesting Holder") made as promptly as practicable and in any event within 15 days after the receipt of any such notice, the Company will use its best efforts to effect the registration under the Securities Act of all Registrable Securities that the Company has been so requested to register by the Requesting Holders thereof; provided, however, that prior to the effective date of the registration statement filed in connection with such registration, immediately upon notification to the Company from the managing underwriter of the price at which such securities are to be sold, if such price is below the price that any Requesting Holder shall have indicated to be acceptable to such Requesting Holder, the Company shall so advise such Requesting Holder of such price, and such Requesting Holder shall then have the right to withdraw its request to have its Registrable Securities included in such registration statement; provided further, that if, at any time after giving written notice of its intention to register any securities and prior to the effective date of the registration statement filed in connection with such registration, the Company shall determine for any reason not to register or to delay registration of such securities, the Company may, at its election, give written notice of such determination to each Requesting Holder of Registrable Securities and (i) in the case of a determination not to register, shall be relieved of its obligation to register any Registrable Securities in connection with such registration (but not from any obligation of the Company to pay the Registration Expenses in connection therewith), without prejudice, however, to the rights of any holder or holders of

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Registrable Securities entitled to do so to cause such registration to be effected as a registration under Section 2.1, and (ii) in the case of a determination to delay registering, shall be permitted to delay registering any Registrable Securities, for the same period as the delay in registering such other securities. Notwithstanding anything contained in this Section 2.2(a), the Company shall not, if any Requesting Holder shall have requested the registration of shares of Common Stock issuable upon conversion of any Preferred Stock, consummate the sale of the securities included in the registration until such time as any applicable waiting period under the Hart-Scott-Rodino Act shall have expired or early termination thereunder shall have been granted if such Requesting Holder notifies the Company that it is required to make a filing under the Hart-Scott-Rodino Act before it may convert its Preferred Stock. No registration effected under this Section 2.2 shall relieve the Company of its obligation to effect any registration upon request under Section 2.1.

(b) Priority in Incidental Registrations. If the

managing underwriter of any underwritten offering shall inform the Company by letter of its opinion that the number or type of Registrable Securities requested to be included in such registration would materially adversely affect such offering, and the Company has so advised the Requesting Holders in writing, then the Company will include in such registration, to the extent of the number and type that the Company is so advised can be sold in (or during the time of) such offering, first, all securities proposed by the Company to be sold for its own account and second, all other securities proposed to be registered pro rata on the basis of the estimated proceeds from the sale thereof.

(c) Expenses. The Company will pay all Registration Expenses in connection with any registration effected pursuant to this Section 2.2.

2.3 Registration Procedures. If and whenever the Company is required to effect the registration of any Registrable Securities under the Securities Act as provided in Sections 2.1 and 2.2, the Company will, as expeditiously as possible:

(i) prepare and (within 90 days after the end of the period within which requests for registration may be given to the Company or in any event as soon thereafter as practicable) file with the Commission the requisite registration statement to effect such registration and thereafter use its best efforts to cause such registration statement to become effective; provided, however, that the Company may discontinue any registration of its securities that are not Registrable Securities (and, under the circumstances specified in Sections 2.2(a) or 2.6, if applicable, its securities that are Registrable Securities) at any time prior to the effective date of the registration statement relating thereto;

(ii) prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus

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used in connection therewith as may be necessary to keep such registration statement effective and to comply with the provisions of the Securities Act with respect to the disposition of all Registrable Securities covered by such registration statement until the earlier of (a) such time as all of such Registrable Securities have been disposed of in accordance with the intended methods of disposition by the seller or sellers thereof set forth in such registration statement and (b) 180 days after the effective date of such registration statement, except with respect to any registration statement filed pursuant to Rule 415 under the Securities Act if the Company is eligible to file a registration statement on Form S-3, in which case the Company shall use its best efforts to keep the registration statement effective and updated, from the date such registration statement is declared effective until such time as all of the Registrable Securities cease to be Registrable Securities;

(iii) furnish to each seller of Registrable Securities covered by such registration statement, such number of conformed copies of such registration statement and of each such amendment and supplement thereto (in each case including all exhibits), such number of copies of the prospectus contained in such registration statement (including each preliminary prospectus and any summary prospectus) and any other prospectus filed under Rule 424 under the Securities Act, in conformity with the requirements of the Securities Act, and such other documents, as such seller may reasonably request;

(iv) use its best efforts (x) to register or qualify all Registrable Securities and other securities covered by such registration statement under such other securities or blue sky laws of such States of the United States of America where an exemption is not available and as the sellers of Registrable Securities covered by such registration statement shall reasonably request, (y) to keep such registration or qualification in effect for so long as such registration statement remains in effect and (z) to take any other action that may be reasonably necessary or advisable to enable such sellers to consummate the disposition in such jurisdictions of the securities to be sold by such sellers, except that the Company shall not for any such purpose be required to qualify generally to do business as a foreign corporation in any jurisdiction wherein it would not but for the requirements of this subdivision (iv) be obligated to be so qualified or to consent to general service of process in any such jurisdiction;

(v) use its best efforts to cause all Registrable Securities covered by such registration statement to be registered with or approved by such other federal or state governmental agencies or authorities as may be necessary in the opinion of counsel to the

Company and counsel to the seller or sellers of Registrable Securities to enable the seller or sellers thereof to consummate the disposition of such Registrable Securities;

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(vi) in the case of an underwritten or "best efforts" offering, furnish at the effective date of such registration statement to each seller of Registrable Securities, and each such seller's underwriters, if any, a signed counterpart of:

(x) an opinion of counsel for the Company, dated the effective date of such registration statement and, if applicable, the date of the closing under the underwriting agreement, and

(y) a "comfort" letter signed by the independent public accountants who have certified the Company's financial statements included or incorporated by reference in such registration statement,

covering substantially the same matters with respect to such registration statement (and the prospectus included therein) and, in the case of the accountants' comfort letter, with respect to events subsequent to the date of such financial statements, as are customarily covered in opinions of issuer's counsel and in accountants' comfort letters delivered to the underwriters in underwritten public offerings of securities and, in the case of the accountants' comfort letter, such other financial matters, and, in the case of the legal opinion, such other legal matters, as the underwriters may reasonably request;

(vii) cause representatives of the Company to participate in any "road show" or "road shows" reasonably requested by any underwriter of an underwritten or "best efforts" offering of any Registrable Securities;

(viii) notify each seller of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act, upon discovery that, or upon the happening of any event as a result of which, the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading, in the light of the circumstances under which they were made, and at the request of any such seller promptly prepare and furnish to it a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made;

(ix) otherwise use its best efforts to comply with all applicable rules and regulations of the Commission, and make available to its

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security holders, as soon as reasonably practicable, an earnings statement covering the period of at least twelve months, but not more than eighteen months, beginning with the first full calendar month after the effective date of such registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 promulgated thereunder, and promptly furnish to each such seller of Registrable Securities a copy of any amendment or supplement to such registration statement or prospectus;

(x) provide and cause to be maintained a transfer agent and registrar (which, in each case, may be the Company) for all Registrable Securities covered by such registration statement from and after a date not later than the effective date of such registration; and

(xi) if any class of securities of the Company is listed on any national securities exchange or automated quotation system at the time of the effectiveness of any registration statement, the Company shall use its best efforts to list all Registrable Securities covered by such registration statement on such national securities exchange or automated quotation system.

The Company may require each seller of Registrable Securities as to which any registration is being effected to furnish the Company in a reasonably prompt manner such information regarding such seller and the distribution of such securities as the Company may from time to time reasonably request in writing; provided, that any such information shall be given or made by a seller of Registrable Securities without representation or warranty of any kind whatsoever except representations with respect to the identity of such seller, such seller's Registrable Securities and such seller's intended method of distribution or any other representations required by applicable law.

Each holder of Registrable Securities agrees by acquisition of such Registrable Securities that, upon receipt of any notice from the Company of the happening of any event of the kind described in subdivision (viii) of this Section 2.3, such holder will forthwith discontinue such holder's disposition of Registrable Securities pursuant to the registration statement relating to such Registrable Securities until such holder's receipt of the copies of the supplemented or amended prospectus contemplated by subdivision (viii) of this Section 2.3 and, if so directed by the Company, will deliver to the Company (at the Company's expense) all copies, other than permanent file copies, then in such holder's possession of the prospectus relating to such Registrable Securities current at the time of receipt of such notice.

2.4 Underwritten Offerings.

(a) Requested Underwritten Offerings. If requested by the underwriters for any underwritten offering by holders of Registrable Securities pursuant to a registration requested under Section 2.1, the Company will use its best

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efforts to enter into an underwriting agreement with such underwriters for such offering, such agreement to be reasonably satisfactory in substance and form to each such holder of Registrable Securities and the underwriters and to contain such representations and warranties by the Company and such other terms as are generally prevailing in agreements of that type, including, without limitation, indemnities to the effect and to the extent provided in Section 2.7. The holders of the Registrable Securities proposed to be sold by such underwriters will reasonably cooperate with the Company in the negotiation of the underwriting agreement. Such holders of Registrable Securities to be sold by such underwriters shall be parties to such underwriting agreement and may, at their option, require that any or all of the representations and warranties by, and the other agreements on the part of, the Company to and for the benefit of such underwriters shall also be made to and for the benefit of such holders of Registrable Securities and that any or all of the conditions precedent to the obligations of such underwriters under such underwriting agreement be conditions precedent to the obligations of such holders of Registrable Securities. No holder of Registrable Securities shall be required to make any representations or warranties to, or agreements with, the Company other than representations or warranties regarding the identity of such holder, such holder's Registrable Securities and such holder's intended method of distribution or any other representations required by applicable law.

(b) Incidental Underwritten Offerings. If the Company proposes to register any of its securities under the Securities Act as contemplated by Section 2.2 and such securities are to be distributed by or through one or more underwriters, the Company will, if requested by any Requesting Holder of Registrable Securities, use its best efforts to arrange for such underwriters to include all the Registrable Securities to be offered and sold by such Requesting Holder among the securities of the Company to be distributed by such underwriters, subject to the provisions of Section 2.2(b). The holders of Registrable Securities to be distributed by such underwriters shall be parties to the underwriting agreement between the Company and such underwriters and may, at their option, require that any or all of the representations and warranties by, and the other agreements on the part of, the Company to and for the benefit of such underwriters shall also be made to and for the benefit of such holders of Registrable Securities and that any or all of the conditions precedent to the obligations of such underwriters under such underwriting agreement be conditions precedent to the obligations of such holders of Registrable Securities. Any such Requesting Holder of Registrable Securities shall not be required to make any representations or warranties to or agreements with the Company or the underwriters other than representations or warranties regarding the identity of such Requesting Holder, such Requesting Holder's Registrable Securities and such Requesting Holder's intended method of distribution or any other representations required by applicable law.

(c) Underwriting Discounts and Commission. The holders of Registrable Securities sold in any offering pursuant to Section 2.4(a) or

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Section 2.4(b) shall pay all underwriting discounts and commissions of the

underwriter or underwriters with respect to the Registrable Securities sold thereby.

2.5 Preparation; Reasonable Investigation. In connection with the preparation and filing of each registration statement under the Securities Act pursuant to this Agreement, the Company will give the holders of Registrable Securities registered under such registration statement, the underwriters, if any, and their respective counsel the opportunity to participate in the preparation of such registration statement, each prospectus included therein or filed with the Commission, and each amendment thereof or supplement thereto, and will give each of them such reasonable access to its books and records and such opportunities to discuss the business of the Company with its officers and the independent public accountants who have certified its financial statements as shall be necessary, in the opinion of such holders' and such underwriters' respective counsel, to conduct a reasonable investigation within the meaning of the Securities Act.

2.6 Limitations, Conditions and Qualifications to Obligations under Registration Covenants. The Company shall be entitled to postpone for a reasonable period of time (but not exceeding 90 days) the filing of any registration statement otherwise required to be prepared and filed by it pursuant to Section 2.1 if the Company determines, in its good faith judgment, that such registration and offering would interfere with any material financing, acquisition, corporate reorganization or other material transaction involving the Company or any of its affiliates and promptly gives the holders of Registrable Securities requesting registration thereof pursuant to Section 2.1 written notice of such determination, containing a general statement of the reasons for such postponement and an approximation of the anticipated delay. If the Company shall so postpone the filing of a registration statement, holders of Registrable Securities requesting registration thereof pursuant to Section 2.1, representing not less than 33-1/3% of the Registrable Securities with respect to which registration has been requested and constituting not less than 66-2/3% of the Initiating Holders, shall have the right to withdraw the request for registration by giving written notice to the Company within 30 days after receipt of the notice of postponement and, in the event of such withdrawal, such request shall not be counted for purposes of the requests for registration to which holders of Registrable Securities are entitled pursuant to Section 2.1 hereof.

2.7 Indemnification.

(a) Indemnification by the Company. The Company will, and hereby does, indemnify and hold harmless, in the case of any registration statement filed pursuant to Section 2.1 or 2.2, each seller of any Registrable Securities covered by such registration statement and each other Person who participates as an underwriter in the offering or sale of such securities and each other Person, if any, who controls such seller or any such underwriter within the meaning of the Securities Act, and their respective directors, officers, partners, members, agents and affiliates against any losses, claims, damages or liabilities, joint or several,

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to which such seller or underwriter or any such director, officer, partner, member, agent, affiliate or controlling person may become subject under the Securities Act or otherwise, including, without limitation, the fees and expenses of legal counsel (including those incurred in connection with any claim for indemnity hereunder), insofar as such losses, claims, damages or liabilities (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any registration statement under which such securities were registered under the Securities Act, any preliminary prospectus, final prospectus or summary prospectus contained therein, or any amendment or supplement thereto, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein in light of the circumstances in which they were made not misleading, and the Company will reimburse such seller or underwriter and each such director, officer, partner, member, agent, affiliate and controlling Person for any legal or any other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, liability, action or proceeding; provided, however, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, liability (or action or proceeding in respect thereof) or expense arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement, any such preliminary prospectus, final prospectus, summary prospectus, amendment or supplement in reliance upon and in conformity with written information furnished to the Company by or on behalf of such seller or underwriter, as the case may be, specifically stating that it is for use in the preparation thereof; and provided, further, that the Company shall not be liable to any Person who participates as an underwriter in the offering or sale of Registrable Securities or any other Person, if any, who controls such underwriter within the meaning of the Securities Act, in any such case to the extent that any such loss, claim, damage, liability (or action or proceeding in respect thereof) or expense arises out of such Person's failure to

send or give a copy of the final prospectus, as the same may be then supplemented or amended, to the Person asserting an untrue statement or alleged untrue statement or omission or alleged omission at or prior to the written confirmation of the sale of Registrable Securities to such Person if such statement or omission was corrected in such final prospectus. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such seller or any such director, officer, partner, member, agent or controlling person and shall survive the transfer of such securities by such seller.

(b) Indemnification by the Sellers. As a condition to including any Registrable Securities in any registration statement, the Company shall have received an undertaking satisfactory to it from the prospective seller of such Registrable Securities, to indemnify and hold harmless (in the same manner and to the same extent as set forth in Section 2.7(a)) the Company, and each director of the Company, each officer of the Company and each other Person, if any, who participates as an underwriter in the offering or sale of such securities and each other Person who controls the Company or any such underwriter within the meaning of the

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Securities Act, with respect to any statement or alleged statement in or omission or alleged omission from such registration statement, any preliminary prospectus, final prospectus or summary prospectus contained therein, or any amendment or supplement thereto, if such statement or alleged statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by such seller specifically stating that it is for use in the preparation of such registration statement, preliminary prospectus, final prospectus, summary prospectus, amendment or supplement; provided, however, that the liability of such indemnifying party under this Section 2.7(b) shall be limited to the amount of the net proceeds received by such indemnifying party in the offering giving rise to such liability. Such indemnity shall remain in full force and effect, regardless of any investigation made by or on behalf of the Company or any such director, officer or controlling person and shall survive the transfer of such securities by such seller.

(c) Notices of Claims, etc. Promptly after receipt by an indemnified party of notice of the commencement of any action or proceeding involving a claim referred to in Section 2.7(a) or (b), such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party, give written notice to the latter of the commencement of such action; provided, however, that the failure of any indemnified party to give notice as provided herein shall not relieve the indemnifying party of its obligations under the preceding subdivisions of this Section 2.7, except to the extent that the indemnifying party is actually prejudiced by such failure to give notice. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it may wish, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party; provided, however, that any indemnified party may, at its own expense, retain separate counsel to participate in such defense. Notwithstanding the foregoing, in any action or proceeding in which both the Company and an indemnified party is, or is reasonably likely to become, a party, such indemnified party shall have the right to employ separate counsel at the Company's expense and to control its own defense of such action or proceeding if, in the reasonable opinion of counsel to such indemnified party, (a) there are or may be legal defenses available to such indemnified party or to other indemnified parties that are different from or additional to those available to the Company or (b) any conflict or potential conflict exists between the Company and such indemnified party that would make such separate representation advisable; provided, however, that in no event shall the Company be required to pay fees and expenses under this Section 2.7 for more than one firm of attorneys in any jurisdiction in any one legal action or group of related legal actions. No indemnifying party shall be liable for any settlement of any action or proceeding effected without its written consent, which consent shall not be unreasonably withheld. No indemnifying party shall, without the consent of the indemnified party, consent to entry of any judgment or entry into any settlement that does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect

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to such claim or litigation or which requires action other than the payment of money by the indemnifying party.

(d) Contribution. If the indemnification provided for in this Section 2.7 shall for any reason be held by a court to be unavailable to an indemnified party under Section 2.7(a) or (b) hereof in respect of any loss, claim, damage or liability, or any action in respect thereof, then, in lieu of the amount paid or payable under Section 2.7(a) or (b), the indemnified party

and the indemnifying party under Section 2.7(a) or (b) shall contribute to the aggregate losses, claims, damages and liabilities (including legal or other expenses reasonably incurred in connection with investigating the same, including those incurred in connection with any claim for indemnity hereunder), (i) in such proportion as is appropriate to reflect the relative fault of the Company and the prospective sellers of Registrable Securities covered by the registration statement which resulted in such loss, claim, damage or liability, or action or proceeding in respect thereof, with respect to the statements or omissions which resulted in such loss, claim, damage or liability, or action or proceeding in respect thereof, as well as any other relevant equitable considerations or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as shall be appropriate to reflect the relative benefits received by the Company and such prospective sellers from the offering of the securities covered by such registration statement; provided, however, that for purposes of this clause (ii), the relative benefits received by the prospective sellers shall be deemed not to exceed the amount of proceeds received by such prospective sellers. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation. Such prospective sellers' obligations to contribute as provided in this Section 2.7(d) are several in proportion to the relative value of their respective Registrable Securities covered by such registration statement and not joint. In addition, no Person shall be obligated to contribute hereunder any amounts in payment for any settlement of any action or claim effected without such Person's consent, which consent shall not be unreasonably withheld.

(e) Other Indemnification. Indemnification and contribution similar to that specified in the preceding subdivisions of this Section 2.7 (with appropriate modifications) shall be given by the Company and each seller of Registrable Securities with respect to any required registration or other qualification of securities under any federal or state law or regulation of any governmental authority other than the Securities Act.

(f) Indemnification Payments. The indemnification and contribution required by this Section 2.7 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or expense, loss, damage or liability is incurred.

3. Definitions. As used herein, unless the context otherwise requires, the following terms have the following respective meanings:

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"Commission" means the Securities and Exchange Commission or any other federal agency at the time administering the Securities Act.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, or any similar federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time. Reference to a particular section of the Securities Exchange Act of 1934, as amended, shall include a reference to the comparable section, if any, of any such similar Federal statute.

"Hart-Scott-Rodino Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

"Person" means any individual, firm, corporation, partnership, limited liability company, trust, incorporated or unincorporated association, joint venture, joint stock company, government (or an agency or political subdivision thereof) or other entity of any kind.

"Purchaser Stock" means the number of shares of Common Stock represented by the sum of the Preferred Stock (assuming the conversion of the Preferred Stock to Common Stock) and the Common Stock issued pursuant to the Purchase Agreement (taking into account appropriate adjustments to such number as a result of any dividend, stock split, merger, consolidation, combination, reclassification, reorganization or other similar event with respect to the Preferred Stock or Common Stock).

"Registrable Securities" means any shares of Common Stock issued or issuable upon conversion of the Preferred Stock, any Related Registrable Securities and any shares of Common Stock owned by the Purchaser. As to any particular Registrable Securities, once issued, such securities shall cease to be Registrable Securities when (a) a registration statement with respect to the sale of such securities shall have become effective under the Securities Act and such securities shall have been disposed of in accordance with such registration statement, (b) they shall have been sold as permitted by Rule 144 (or any successor provision) under the Securities Act and the purchaser thereof does not receive "restricted securities" as defined in Rule 144, (c) they shall have been otherwise transferred, new certificates for them not bearing a legend restricting further transfer shall have been delivered by the Company and subsequent public distribution of them shall not, in the opinion of counsel for

the holders, require registration of them under the Securities Act or (d) they shall have ceased to be outstanding. All references to percentages of Registrable Securities shall be calculated pursuant to Section 9.

"Registration Expenses" means all expenses incident to the Company's performance of or compliance with Section 2, including, without limitation, all registration and filing fees, all fees of any national securities exchange or automated quotation system, all fees and expenses of complying with securities or blue sky laws,

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all word processing, duplicating and printing expenses, messenger and delivery expenses, the fees and disbursements of counsel for the Company and of its independent public accountants, including the expenses of "cold comfort" letters required by or incident to such performance and compliance, any fees and disbursements of underwriters customarily paid by issuers or sellers of securities (excluding any underwriting discounts or commissions with respect to the Registrable Securities) and the reasonable fees and expenses of one counsel to the Selling Holders (selected by Selling Holders representing at least 50% of the Registrable Securities covered by such registration). Notwithstanding the foregoing, in the event the Company shall determine, in accordance with Section 2.2(a) or Section 2.6, not to register any securities with respect to which it had given written notice of its intention to so register to holders of Registrable Securities, all of the costs of the type (and subject to any limitation to the extent) set forth in this definition and incurred by Requesting Holders in connection with such registration on or prior to the date the Company notifies the Requesting Holders of such determination shall be deemed Registration Expenses.

"Related Registrable Securities" means with respect any shares of Preferred Stock (or shares of Common Stock issued or issuable upon conversion of the Preferred Stock) and Common Stock, any securities of the Company or any other Person which are issued or issuable in respect of, or in exchange for, such shares of Preferred Stock or Common Stock by way of a dividend or stock split or as a result of a merger, consolidation, combination, reclassification, reorganization or otherwise.

"Securities Act" means the Securities Act of 1933, as amended, or any similar Federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time. References to a particular section of the Securities Act of 1933, as amended, shall include a reference to the comparable section, if any, of any such similar Federal statute.

4. Rule 144 and Rule 144A. The Company shall take all actions reasonably necessary to enable holders of Registrable Securities to sell such securities without registration under the Securities Act within the limitation of the provisions of (a) Rule 144 under the Securities Act, as such Rule may be amended from time to time, (b) Rule 144A under the Securities Act, as such Rule may be amended from time to time, or (c) any similar rules or regulations hereafter adopted by the Commission. Upon the request of any holder of Registrable Securities, the Company will deliver to such holder a written statement as to whether it has complied with such requirements.

5. Amendments and Waivers. This Agreement may be amended with the consent of the Company and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company shall have obtained the written consent to such amendment, action or omission to act, of the holder or holders of at least 50% of the Registrable Securities affected by such amendment, action or omission to act. Each holder of any

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Registrable Securities at the time or thereafter outstanding shall be bound by any consent authorized by this Section 5, whether or not such Registrable Securities shall have been marked to indicate such consent.

6. Nominees for Beneficial Owners. In the event that any Registrable Securities are held by a nominee for the beneficial owner thereof, the beneficial owner thereof may, at its election in writing delivered to the Company, be treated as the holder of such Registrable Securities for purposes of any request or other action by any holder or holders of Registrable Securities pursuant to this Agreement or any determination of any number or percentage of shares of Registrable Securities held by any holder or holders of Registrable Securities contemplated by this Agreement. If the beneficial owner of any Registrable Securities so elects, the Company may require assurances reasonably satisfactory to it of such owner's beneficial ownership of such Registrable Securities.

7. Notices. All notices, demands and other communications provided for or permitted hereunder shall be made in writing and shall be by

registered or certified first-class mail, return receipt requested, telecopier, courier service or personal delivery:

(a) if to the Purchaser, addressed to it in the manner set forth in the Purchase Agreement, or at such other address as the Purchasers shall have furnished to the Company in writing in the manner set forth herein;

(b) if to any other holder of Registrable Securities, at the address that such holder shall have furnished to the Company in writing in the manner set forth herein, or, until any such other holder so furnishes to the Company an address, then to and at the address of the last holder of such Registrable Securities who has furnished an address to the Company; or

(c) if to the Company, addressed to it in the manner set forth in the Purchase Agreement, or at such other address as the Company shall have furnished to each holder of Registrable Securities at the time outstanding in the manner set forth herein.

All such notices and communications shall be deemed to have been duly given: when delivered by hand, if personally delivered; when delivered to a courier, if delivered by overnight courier service; five Business Days after being deposited in the mail, postage prepaid, if mailed; and when receipt is acknowledged, if telecopied.

8. Assignment. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and, with respect to the Company, its respective successors and permitted assigns and, with respect to the Purchasers, any holder of any Registrable Securities, subject to the provisions respecting the minimum numbers of percentages of shares of Registrable Securities

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required in order to be entitled to certain rights, or take certain actions, contained herein. Except by operation of law, this Agreement may not be assigned by the Company without the prior written consent of the holders of a majority in interest of the Registrable Securities outstanding at the time such consent is requested.

9. Calculation of Percentage Interests in Registrable Securities. For purposes of this Agreement, all references to a percentage of the Registrable Securities shall be calculated based upon the number of shares of Registrable Securities outstanding at the time such calculation is made, assuming the conversion of all the outstanding Preferred Stock.

10. No Inconsistent Agreements. The Company will not hereafter enter into any agreement with respect to its securities that is inconsistent with the rights granted to the holders of Registrable Securities in this Agreement. Without limiting the generality of the foregoing, the Company will not hereafter enter into any agreement with respect to its securities that grants, or modifies any existing agreement with respect to its securities to grant, to the holder of its securities in connection with an incidental registration of such securities higher priority to the rights granted to the Purchaser under Section 2.2(b).

11. Remedies. Each holder of Registrable Securities, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Agreement. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Agreement and hereby agrees to waive the defense in any action for specific performance that a remedy at law would be adequate.

12. Certain Distributions. The Company shall not at any time make a distribution on or with respect to the Common Stock (including any such distribution made in connection with a consolidation or merger in which the Company is the resulting or surviving corporation and such Registrable Securities are not changed or exchanged) of securities of another issuer if holders of Registrable Securities are entitled to receive such securities in such distribution as holders of Registrable Securities and any of the securities so distributed are registered under the Securities Act, unless the securities to be distributed to the holders of Registrable Securities are also registered under the Securities Act.

13. Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstances, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be in any way impaired thereby, it being intended that all of the rights and privileges of the Purchasers shall be enforceable to the fullest extent permitted by law.

14. Entire Agreement. This Agreement, together with the Purchase Agreement (including the exhibits and schedules thereto), is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein and therein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein and therein. This Agreement and the Purchase Agreement (including the exhibits and schedules thereto) supersede all prior agreements and understandings between the parties with respect to such subject matter.

15. Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

16. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE.

17. Counterparts. This Agreement may be executed in multiple counterparts, each of which when so executed shall be deemed an original and all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their respective representatives hereunto duly authorized as of the date first above written.

VAALCO ENERGY, INC.

By: /s/ Robert L. Gerry III

Name: Robert L Gerry III

Title: Chief Executive Officer

THE 1818 FUND II, L.P.

By: Brown Brothers Harriman & Co.
General Partner

By: /s/ T. Michael Long

Name: T. Michael Long

Partner

REGISTRATION RIGHTS AGREEMENT

This REGISTRATION RIGHTS AGREEMENT (this "Agreement"), dated as of April 21, 1998, by and among VAALCO Energy, Inc., a Delaware corporation (the "Company"), Jefferies & Company, Inc. ("Jefferies") and the individuals and entities listed on EXHIBIT A hereto (collectively, the "Stockholders");

W I T N E S S E T H:

WHEREAS, the Company and each of the Stockholders have entered into a Subscription Agreement (the "Subscription Agreement") relating to the purchase by Stockholders of an aggregate of 1,360,000 shares (the "Shares") of Common Stock, par value \$.10 per share ("Common Stock"), of the Company;

WHEREAS, in order to induce the Stockholders to enter into the Subscription Agreement, the Company has agreed to grant certain registration rights to the Stockholders with respect to the Shares;

WHEREAS, in connection with the private placement of the Shares with the Stockholders, the Company has granted to Jefferies a warrant to purchase 100,000 shares of Common Stock (the "Warrant Shares") at an exercise price of \$2.00 per share; and

WHEREAS, the Company has agreed to grant certain registration rights to Jefferies with respect to the Warrant Shares;

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. DEFINITIONS.

As used herein, the following terms have the indicated meanings, unless the context otherwise requires:

"Act" means the Securities Act of 1933, as amended.

"Commission" means the Securities and Exchange Commission.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Holder" means a Stockholder who owns Registrable Securities or any permitted transferee thereof who owns Registrable Securities.

"Registrable Securities" means the Shares, the Warrant Shares and any other securities

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issued or issuable by the Company with respect to the Shares or the Warrant Shares by way of a stock dividend or other distribution or stock split or in connection with a combination of shares, recapitalization, merger, consolidation or reorganization. Any Registrable Securities will cease to be such when (i) a registration statement covering such Registrable Securities has been declared effective by the Securities and Exchange Commission and such Registrable Securities have been disposed of pursuant to such effective registration statement, (ii) such Registrable Securities may be distributed to the public pursuant to Rule 144 (or any similar provision then in force) under the Act or (iii) the Company has delivered a new certificate or other evidence of ownership for such Registrable Securities not bearing the legend required pursuant to the Subscription Agreement or the Warrant to Purchase Common Stock regarding the Warrant Shares and such Registrable Securities may be resold to the public without restriction under the Act in accordance with Rule 144(k).

"Selling Holder" means a Stockholder or permitted transferee thereof who is selling Registrable Securities pursuant to a registration statement.

2. PIGGY-BACK REGISTRATION.

(a) If the Company proposes to file a registration statement under the Act with respect to an offering by the Company of any class of equity security for cash, including any security convertible into or exchangeable for any equity securities (other than (i) a registration statement on Form S-4 or S-8 (or any substitute form for comparable purposes that may be adopted by the Commission), (ii) a registration statement filed in connection with an exchange offer or an offering of securities solely to the Company's existing security holders, (iii) in connection with the registration statement that is on a form pursuant to which an offering of the Registrable Securities cannot be registered or (iv) pursuant to Article 3 hereof), then the Company shall in each case give written notice of such proposed filing to the Holders at least 30 days before the anticipated filing date, and such notice shall offer the Holders the opportunity to register such number of Registrable Securities as each such Holder may request. Upon the written request of any Holder received by the Company within 15 business days after the date of the Company's delivery of its notice to the Holders of its intention to file such a registration statement, the Company

shall, subject to the conditions and in accordance with the procedures set forth herein, use its best efforts to cause the managing underwriter or underwriters, if any, of a proposed underwritten offering to permit the Registrable Securities requested by the Holder to be included in the registration statement for such offering on the same terms and conditions as any similar securities of the Company included therein (a "Piggy-Back Registration"). Notwithstanding the foregoing, if the managing underwriter or underwriters of an offering indicates in writing to the Holders who have requested that their Registrable Shares be included in such offering, its reasonable belief that because of the size of the offering intended to be made, the inclusion of the Registrable Securities requested to be included might reasonably be expected to jeopardize the success of the offering of the securities of the Company to be offered and sold by the Company for its own account, then the amount of securities to be offered for the account of the Holders shall be reduced on a pro rata basis with all sellers (whether or not such sellers are

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Holders) other than the Company to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing underwriter or underwriters. The Company will bear all Registration Expenses (as hereinafter defined) in connection with a Piggy-Back Registration.

(b) The Company may, without the consent of any Selling Holder, withdraw any registration statement prior to the effectiveness thereof and abandon any proposed offering initiated by the Company, notwithstanding the request of a Holder to participate therein in accordance with this Section 2, if the Company determines that such action is in the best interests of the Company.

(c) Notwithstanding anything contained herein to the contrary, the Company will have no obligation under this Section 2 to register any Registrable Securities unless at least 20,000 shares (as adjusted for stock splits, stock dividends or similar transaction) of Registrable Securities in the aggregate are requested to be included in such offering.

3. DEMAND REGISTRATION RIGHTS.

(a) If the Holders of at least 30,000 shares (as adjusted for stock splits, stock dividends or similar transaction) of the Registrable Securities make a written request to the Company that the Company effect the registration of such Registrable Securities under the Act, then the Company shall, within 15 days of the receipt of such request, give written notice of such request to all other Holders, and such notice shall offer the Holders the opportunity to register such number of Registrable Securities as each such Holder may request (a "Demand Registration"). Upon the written request of Holders of at least 300,000 shares (as adjusted for stock splits, stock dividends or similar transaction) of the Registrable Securities received by the Company within 15 business days after the date of the Company's delivery of its notice to the Holders as described in this Section 3, the Company will, as promptly as reasonably practicable prepare and file with the Commission a registration statement ("DEMAND REGISTRATION STATEMENT") covering such proposed sale of all such Registrable Shares requested to be so registered. The Company will bear all Registration Expenses (as hereinafter defined) in connection with a Demand Registration. The underwriter or underwriters for a requested registration shall be selected by the consent of the holders of a majority (by number of shares) of the Registrable Securities requested to be included in such registration and shall be reasonably acceptable to the Company.

(b) Subject to paragraph (d) below, the Company will use its best efforts to have the Demand Registration Statement declared effective by the Commission as soon as practicable after the filing thereof and to maintain the effectiveness thereof for 90 days (or until all Registrable Shares covered thereby have been sold, if such sales are completed before the end of the 90-day period).

(c) The Company shall only be required to provide three effective Demand

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Registrations hereunder.

(d) The Company will be entitled to postpone the filing of the Demand Registration Statement, and to suspend sales under the Demand Registration Statement, for: (i) an aggregate number of days not exceeding 120 days, if the Company determines in its sole discretion that the Demand Registration Statement or the offering covered thereby would interfere with or require public disclosure of any financing, acquisition, corporate reorganization or other transaction involving the Company or any of its subsidiaries; (ii) an aggregate number of days not exceeding 180 days, if (A) a registration statement was filed by the Company in connection with an underwritten public offering by the Company of any securities within the 90 days preceding the date of the request or (B) the Commission requires such postponement or suspension; PROVIDED HOWEVER, that in computing the 90-day period for which the Company is required to maintain the effectiveness of the Demand Registration Statement, the period of any such suspension shall not be included. The Company shall give prompt written notice to the Selling Holders of any such postponement or suspension and shall likewise

give prompt written notice to the Selling Holders of termination of such postponement or suspension. The Selling Holders hereby agree to postpone the sale of any Registrable Shares pursuant to the Demand Registration Statement during any suspension of sales of the Common Stock thereunder by the Company.

4. RESTRICTIONS ON PUBLIC SALE BY HOLDER OF REGISTRABLE SECURITIES.

To the extent not inconsistent with applicable law, each Holder whose Registrable Securities are included in a registration statement pursuant to Section 2 or 3 agrees not to effect any public sale or distribution of the security being registered or a similar security of the Company, or any securities convertible into or exchangeable or exercisable for such securities, including a sale pursuant to Rule 144 under the Act, during the 90-day period (or such shorter period as may be required by the Company or the managing underwriter or underwriters with respect to any officer or director or shareholder of the Company) beginning on the effective date of a registration statement (except, in each case, as part of such registration), if and to the extent requested by the Company in the case of a non-underwritten public offering or if and to the extent requested by the managing underwriter or underwriters in the case of an underwritten public offering.

5. REGISTRATION PROCEDURES.

Whenever the Holders have requested that any Registrable Securities be included in a registration pursuant to Section 2 or 3 hereof, the Company shall (unless such registration statement is not filed or is withdrawn) use its best efforts to effect the registration and the sale of such Registrable Securities as soon as reasonably practicable, and in connection with any such request, the Company shall (unless such registration statement is not filed or is withdrawn):

(a) (i) prior to filing a registration statement or prospectus or any amendments or supplements thereto, furnish to each Selling Holder

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copies of all such documents proposed to be filed, which documents will be subject to the review of such counsel, (ii) furnish to each Selling Holder, prior to filing a registration statement, copies of such registration statement as proposed to be filed, and thereafter furnish to each Selling Holder such number of copies of such registration statement, each amendment and supplement thereto (in each case including all exhibits thereto), the prospectus included in such registration statement (including each preliminary prospectus) and such other documents as any Selling Holder may reasonably require in order to facilitate the disposition of the Registrable Securities owned by the Selling Holder, and (iii) after the filing of the registration statement, promptly notify each Selling Holder of Registrable Securities covered by such registration statement of any stop order issued or threatened by the Commission and take all reasonable actions required to prevent the entry of such stop order or to remove it if entered;

(b) use its best efforts to register or qualify such Registrable Securities under such other securities or blue sky laws of such jurisdictions as each Selling Holder reasonably requests and do any and all other acts and things which may be reasonably necessary or advisable to enable the Selling Holder to consummate the disposition in such jurisdictions of the Registrable Securities owned by the Selling Holder; PROVIDED, HOWEVER, that the Company will not be required to (i) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this paragraph (b), (ii) subject itself to taxation in any such jurisdiction where it is not then so subject or (iii) consent to general service of process in any such jurisdiction;

(c) use its best efforts to cause such Registrable Securities to be registered with or approved by such other governmental agencies or authorities as may be necessary by virtue of the business and operations of the Company to enable the Selling Holder thereof to consummate the disposition of such Registrable Securities;

(d) notify the Selling Holder, at any time when a prospectus relating thereto is required to be delivered under the Act, of the occurrence of an event requiring the preparation of a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading and promptly make available to the Selling Holder any such supplement or amendment;

(e) enter into or arrange for the furnishing of customary agreements and documents (including an underwriting agreement in customary form) and take such other actions as are reasonably required in order to expedite or facilitate the disposition of such Registrable Securities;

(f) make available for inspection by each Selling Holder, any underwriter participating in any disposition pursuant to such registration statement and any attorney, accountant or other professional retained by the Selling Holder or underwriter (collectively, the

"Inspectors"), all financial and other records, pertinent corporate documents and properties of the Company and its subsidiaries (collectively, the "Records") as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause the Company's and its subsidiaries' officers, directors and employees to supply all information reasonably requested by any such Inspector in connection with such registration statement. Each Selling Holder agrees that information obtained by it as a result of such inspections that is material and deemed confidential shall not be used by it as the basis for any market transactions in securities of the Company unless and until such is made generally available to the public. The Selling Holder further agrees that it will, upon learning that disclosure of such Records is sought in a court of competent jurisdiction, give notice to the Company and allow the Company, at the Company's expense, to undertake appropriate action to prevent disclosure of the Records deemed confidential;

(g) otherwise comply with all applicable rules and regulations of the Commission, and make available to its security holders, as soon as reasonably practicable, an earnings statement covering a period of 12 months, beginning within three months after the effective date of the registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Act; and

(h) use its reasonable efforts to cause all such Registrable Securities to be quoted on the Nasdaq Market System, if the Common Stock is then so quoted, or to be listed on any securities exchange on which the Common Stock is then listed.

The Company may require the Selling Holder as to which any registration is being effected to furnish to the Company such information regarding the Selling Holder and the distribution of such Registrable Securities as the Company may from time to time reasonably request in writing and such other information as may be legally required in connection with such registration.

In no event shall the Company be required to amend any registration statement filed pursuant to this Agreement after it has become effective or to amend or supplement any prospectus to permit the continued disposition of shares of Common Stock owned by a Selling Holder registered under any such registration statement beyond the period during which the Company is required to maintain the effectiveness thereof pursuant to the terms of this Agreement.

Each Selling Holder agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 5(d) hereof, the Selling Holder will forthwith discontinue disposition of Registrable Securities pursuant to the registration statement covering such Registrable Securities until the Selling Holder's receipt of the copies of the supplemented or amended prospectus contemplated by Section 5(d) hereof, and, if so directed by the Company, the Selling Holder will deliver to the Company (at the Company's expense) all copies, other than permanent file copies then in the Selling Holder's possession, of the prospectus

covering such Registrable Securities current at the time of receipt of such notice. Each Selling Holder also agrees to notify the Company of any event relating to the Selling Holder that occurs that would require the preparation of a supplement or amendment to the prospectus so that such prospectus will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

As used herein, the term "Current Market Price" per share of Common Stock or any other security at any date shall mean, on any date of determination (a) the average of the daily closing sale price for the 10 trading days immediately preceding such date if the security has been listed on the New York Stock Exchange, the American Stock Exchange or other national exchange or the Nasdaq National Market for at least 10 trading days prior to such date, (b) if such security is not so listed or traded, the average of the daily closing bid price for the 10 trading days immediately preceding such date if the security has been quoted on a national over-the-counter market for at least 10 trading days, and (c) otherwise, the value of the security most recently determined as of a date within the six months preceding such day by the Company's Board of Directors.

6. REGISTRATION EXPENSES.

All expenses incident to the Company's performance of or compliance with this Agreement, including, without limitation, all registration and filing fees, fees and expenses of compliance with securities or blue sky laws (including fees and disbursements of counsel in connection with blue sky qualifications of the Registrable Securities), rating agency fees, printing expenses, messenger and delivery expenses, internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the fees and expenses incurred in connection with the listing of the securities to be registered on the Nasdaq Market System and all securities exchanges on which similar securities issued by the Company are then

quoted or listed, and fees and disbursements of counsel for the Company and its independent certified public accountants (including the expenses of any special audit or comfort letters required by or incident to such performance), securities act liability insurance (if the Company elects to obtain such insurance), the fees and expenses of any special experts retained by the Company in connection with such registration, and fees and expenses of other persons retained by the Company, in connection with each registration hereunder (but not including any underwriting discounts or commissions attributable to the sale of Registrable Securities (which are hereinafter referred to as "Selling Expenses")) and the reasonable fees and expenses of one counsel for the Selling Holders, (collectively, the "Registration Expenses") will be borne by the Company in the event of a registration of Registrable Securities pursuant to Section 2 or 3 hereof. All Selling Expenses shall be borne solely by the Selling Holders.

7. INDEMNIFICATION; CONTRIBUTION.

(a) INDEMNIFICATION BY THE COMPANY. To the extent permitted by applicable law, the Company agrees to indemnify and hold harmless each Selling Holder, its officers, directors,

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partners and agents and each person, if any, who controls a Selling Holder within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, from and against any and all losses, claims, damages (whether in contract, tort or otherwise), liabilities and expenses (including reasonable costs of investigation) whatsoever (as incurred or suffered) arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in any registration statement or prospectus relating to the Registrable Securities or in any amendment or supplement thereto or in any preliminary prospectus, or arising out of or based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages, liabilities or expenses arise out of, or are based upon, any such untrue statement or omission or allegation thereof based upon information furnished in writing to the Company by such Selling Holder or on behalf of such Selling Holder expressly for use therein and PROVIDED, that with respect to any untrue statement or omission or alleged untrue statement or omission made in any preliminary prospectus, the indemnity agreement contained in this paragraph shall not apply to the extent that any such loss, claim, damage, liability or expense results from the fact that a current copy of the prospectus was not sent or given to the person asserting any such loss, claim, damage, liability or expense at or prior to the written confirmation of the sale of the Registrable Securities concerned to such person if it is determined that the Company had previously provided such Selling Holder with such current copy of the prospectus, it was the responsibility of such Selling Holder to provide such person with such current copy of the prospectus and such current copy of the prospectus would have cured the defect giving rise to such loss, claim, damage, liability or expense. The Company also agrees to indemnify any underwriters of the Registrable Securities, their officers, partners and directors and each person who controls such underwriters on substantially the same basis as that of the indemnification of the Selling Holder provided in this Section 7 or such other indemnification customarily obtained by underwriters at the time of offering.

(b) CONDUCT OF INDEMNIFICATION PROCEEDINGS. If any action or proceeding (including any governmental investigation) shall be brought or asserted against a Selling Holder (or its officers, directors, partners, attorneys or agents) or any person controlling such Selling Holder in respect of which indemnity may be sought from the Company, the Company shall assume the defense thereof, including the employment of counsel reasonably satisfactory to such Selling Holder, and shall assume the payment of all expenses. Each Selling Holder or any controlling person of a Selling Holder shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Selling Holder or such controlling person unless (i) the Company has agreed to pay such fees and expenses or (ii) the named parties to any such action or proceeding (including any impleaded parties) include both the Selling Holder or such controlling person and the Company, and the Selling Holder or such controlling person shall have been advised by counsel that there may be one or more legal defenses available to such Selling Holder or such controlling person which are different from or additional to those available to the Company (in which case, if such Selling Holder or such controlling person notifies the Company in writing that it elects to employ separate counsel at the expense of the Company, the Company shall not have the right to

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assume the defense of such action or proceeding on behalf of such Selling Holder or such controlling person) or (iii) the use of counsel chosen by the Company to represent the Selling Holder would present such counsel with a conflict of interest or (iv) the Company shall not have employed counsel satisfactory to the Selling Holder to represent the Selling Holder within a reasonable time after notice of the institution of such action; it being understood, however, that the Company shall not, in connection with any one such action or proceeding or separate but substantially similar or related actions or proceedings in the same

jurisdiction arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys (together with appropriate local counsel) at any time for each Selling Holder, which firm shall be designated in writing by such Selling Holder). The Company shall not be liable for any settlement of any such action or proceeding effected without the Company's written consent, but if settled with its written consent, or if there be a final judgment for the plaintiff in any such action or proceeding, the Company agrees to indemnify and hold harmless each Selling Holder and controlling person from and against any loss or liability (to the extent stated above) by reason of such settlement or judgment. The Company shall not, without the prior written consent of the Selling Holder, settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the Selling Holders are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each Selling Holder from all liability arising out of such claim, action, suit or proceeding.

(c) INDEMNIFICATION BY HOLDER OF REGISTRABLE SECURITIES. Each Selling Holder agrees to indemnify and hold harmless the Company, its directors and officers and each person, if any, who controls the Company within the meaning of either Section 15 of the Act or Section 20 of the Exchange Act, to the same extent as the foregoing indemnity from the Company to the Selling Holder, but only with respect to information furnished in writing by the Selling Holder or on the Selling Holder's behalf expressly for use in any registration statement or prospectus relating to the Registrable Securities, or any amendment or supplement thereto, or any preliminary prospectus. In case any action or proceeding shall be brought against the Company or its directors or officers, or any such controlling person, in respect of which indemnity may be sought against a Selling Holder, such Selling Holder shall have the rights and duties given to the Company, and the Company or its directors or officers or such controlling person shall have the rights and duties given to a Selling Holder, by the preceding paragraph. The Selling Holder also agrees that it will enter into an indemnity agreement to indemnify and hold harmless underwriters of the Registrable Securities, their officers and directors and each person who controls such underwriters on substantially the same basis as that of the indemnification of the Company provided in this Section 7(c). Notwithstanding the foregoing, the liability of a Selling Holder pursuant to this Section 7(c) shall not exceed the amount of the aggregate proceeds of the Registrable Securities of the Selling Holder.

(d) CONTRIBUTION. If the indemnification provided for in this Section 7 is unavailable to the Company or a Selling Holder in respect of any losses, claims, damages, liabilities or

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judgments referred to herein, then each such indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities and judgments (i) as between the Company and such Selling Holder on the one hand and the underwriters on the other, in such proportion as is appropriate to reflect the relative benefits received by the Company and a Selling Holder on the one hand and the underwriters on the other from the offering of the Registrable Securities, or if such allocation is not permitted by applicable law, in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company and such Selling Holder on the one hand and of the underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or judgments, as well as any other relevant equitable considerations and (ii) as between the Company, on the one hand, and a Selling Holder on the other, in such proportion as is appropriate to reflect the relative fault of the Company and of such Selling Holder in connection with such statements or omissions, as well as any other relevant equitable considerations. The relative benefits received by the Company and a Selling Holder on the one hand and the underwriters on the other shall be deemed to be in the same proportion as the total proceeds from the offering (net of underwriting discounts and commissions but before deducting expenses) received by the Company and such Selling Holder bear to the total underwriting discounts and commissions received by the underwriters, in each case as set forth in the table on the cover page of the prospectus. The relative fault of the Company and such Selling Holder on the one hand and of the underwriters on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company and such Selling Holder or by the underwriters. The relative fault of the Company on the one hand and of such Selling Holder on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by such party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company and each Selling Holder agree that it would not be just and equitable if contribution pursuant to this Section 7(d) were determined by pro rata allocation (even if the underwriters were treated as one entity for such

purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages, liabilities, or judgments referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 7(d), no underwriter shall be required to contribute any amount in excess of the

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amount by which the total price at which the Registrable Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission, and a Selling Holder shall not be required to contribute any amount in excess of the amount of the total price at which the Registrable Securities of the Selling Holder were offered to the public. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(e) INDEMNIFICATION PAYMENTS. The indemnification and contribution required by this Section 7 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or expense, loss, damage or liability are incurred.

8. PARTICIPATION IN UNDERWRITTEN REGISTRATIONS.

No person may participate in any underwritten registration hereunder unless such person (a) agrees to sell such person's securities on the basis provided in any underwriting arrangements approved by the persons entitled hereunder to approve such arrangements and (b) completes and executes all questionnaires, powers of attorney, custody agreements, indemnities, underwriting agreements and other documents reasonably required by the Company or managing underwriter under the terms of such underwriting arrangements and this Agreement.

9. RULE 144 AND REPORTS.

The Company shall timely file the reports required to be filed by it under the Securities Act and the Exchange Act (including but not limited to the reports under Sections 13 and 15(d) of the Exchange Act referred to in subparagraph (c)(1) of Rule 144 adopted by the Commission under the Securities Act) and the rules and regulations adopted by the Commission thereunder (or, if the Company is not required to file such reports, will, upon the request of any holder of Registrable Securities, make publicly available other information) and will take such further action as any holder of Registrable Securities may reasonably request, all to the extent required from time to time to enable such holder to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by (a) Rule 144 under the Securities Act, as such Rule may be amended from time to time, or (b) any similar rule of regulation hereafter adopted by the Commission. Upon the request of any holder of Registrable Securities, the Company will deliver to such holder a written statement as to whether it has complied with such requirements.

10. MISCELLANEOUS.

(a) BINDING EFFECT. Unless otherwise provided herein, the provisions of this Agreement shall be binding upon and accrue to the benefit of the parties hereto and their respective heirs and legal representatives and permitted transferees, successors and assigns. The rights and obligations of a Holder hereunder cannot be assigned or transferred without the prior written consent of the Company except by will or intestacy or by operation of law.

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(b) AMENDMENT. This Agreement may be amended or terminated only by a written instrument signed by the Company and each of the Holders.

(c) APPLICABLE LAW. The internal laws of the State of New York (without regard to choice of law provisions thereof) shall govern the interpretation, validity and performance of the terms of this Agreement.

(d) NOTICES. All notices provided for herein shall be in writing and shall be deemed to have been duly given if delivered personally or sent by registered or certified mail, postage prepaid:

(i) if to the Company, to:

VAALCO Energy, Inc.
4600 Post Oak Place, Suite 309
Houston, Texas 77027
Attention: President

with a copy to:

Butler & Binion, L.L.P.
1000 Louisiana, Suite 1600
Houston, Texas 77002
Attention: Mr. Guy Young

(ii) if to Jefferies & Company, Inc.:

Jefferies & Company, Inc.
11100 Santa Monica Boulevard, Suite 1000
Los Angeles, California 90025
Attention: Mr. Jerry Gluck, Executive Vice
President and General Counsel

with a copy to:

Vinson & Elkins L.L.P.
2300 First City Tower
1001 Fannin
Houston, Texas 77002-6760
Attention: Mr. T. Mark Kelly

(iii) if to the Stockholders, to the respective addresses set forth on EXHIBIT A hereto.

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(e) COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one instrument.

(f) SEVERABILITY. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants, and restrictions of this Agreement shall remain in full force and effect.

[SIGNATURES BEGIN ON THE FOLLOWING PAGE]

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

VAALCO ENERGY, INC.

By: /s/ ROBERT L. GERRY III

Name: Robert L. Gerry III

Title: Chairman of the Board and
Chief Executive Officer

JEFFERIES & COMPANY, INC.

By: /s/ ROBERT CARINGTON

Name: Robert Carington

Title: Managing Director

STOCKHOLDERS:

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EXHIBIT A

NAME OF STOCKHOLDER AND ADDRESS

NUMBER OF SHARES

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VAALCO ENERGY, INC.

CERTIFICATE OF DESIGNATION
OF CONVERTIBLE PREFERRED STOCK,

SERIES A SETTING FORTH THE POWERS,
PREFERENCES, RIGHTS, QUALIFICATIONS,

LIMITATIONS AND RESTRICTIONS OF
SUCH PREFERRED STOCK

Pursuant to Section 151 of the Delaware General Corporation Law,
VAALCO ENERGY, INC., a Delaware corporation (the "Corporation"), DOES HEREBY
CERTIFY:

That pursuant to the authority conferred upon the Board of
Directors of the Corporation by the Certificate of Incorporation of the
Corporation (the "Charter"), the Board of Directors of the Corporation on
February 9, 1998 duly adopted the following resolution creating a series of
Preferred Stock designated as Convertible Preferred Stock, Series A and such
resolution has not been modified and is in full force and effect on the date
hereof:

RESOLVED that, pursuant to the authority vested in the Board of
Directors of the Corporation in accordance with the provisions of the Charter, a
series of authorized Preferred Stock, par value \$25.00 per share, of the
Corporation are hereby created and that the designation and number of shares
thereof and the voting powers, preferences and relative, participating, optional
and other special rights of the shares of such series of Preferred Stock, and
the qualifications, limitations and restrictions thereof are as follows:

Section 1. DESIGNATION AND NUMBER.

(a) The shares of such series of Preferred Stock shall be
designated as "Convertible Preferred Stock, Series A" ("Preferred Stock"). The
number of shares initially constituting the Preferred Stock shall be 10,000,
which number may be decreased (but not increased) by the Board of Directors
without a vote of stockholders; PROVIDED, HOWEVER, that such number may not be
decreased below the number of then outstanding shares of such series of
Preferred Stock.

(b) The Preferred Stock shall, with respect to rights on
liquidation, dissolution or winding up, rank prior to all other classes and
series of Junior Stock of the Corporation now or hereafter authorized including,
without limitation, the Common Stock.

(c) Capitalized terms used herein and not otherwise defined shall
have the meanings set forth in Section 9 below.

Section 2. DIVIDENDS AND DISTRIBUTIONS. In the event that the Corporation shall
declare a cash dividend or make any other distribution (including, without
limitation, in capital stock (which shall include, without limitation, any
options, warrants or other rights to acquire capital stock) of the Corporation,
whether or not pursuant to a shareholder rights plan, "poison pill" or similar
arrangement, or other property or assets) to holders of Common Stock, then the
Board of Directors shall declare, and the holder of each share of Preferred
Stock shall be entitled to receive, a dividend or distribution in an amount
equal
to the amount of such dividend or distribution received by a holder of the
number of shares of Common Stock for which such share of Preferred Stock is
convertible on the record date for such dividend or distribution. Any such
amount shall be paid to the holders of shares of Preferred Stock at the same
time such dividend or distribution is made to holders of Common Stock.

The holders of shares of Preferred Stock shall not be entitled to
receive any dividends or other distributions except as provided herein.

Section 3. VOTING RIGHTS.

In addition to any voting rights provided by law, the holders of
shares of Preferred Stock shall have the following voting rights:

(a) Except as otherwise required by applicable law and so long as
the Preferred Stock is outstanding, each share of Preferred Stock shall entitle
the holder thereof to vote, in person or by proxy or written consent, at a
special or annual meeting of stockholders or in connection with any stockholder
action taken in lieu of a meeting of stockholders, on all matters voted on by
holders of Common Stock, including the election of directors, voting together as
a single class with all other shares entitled to vote thereon. With respect to
any such vote, each share of Preferred Stock shall entitle the holder thereof to
cast that number of votes per share as is equal to the number of votes that such
holder would be entitled to cast had such holder converted his shares of

Preferred Stock into Common Stock on the record date for determining the stockholders of the Corporation eligible to vote on any such matters.

(b) Unless the consent or approval of a greater number of shares shall then be required by law, the affirmative vote of the holders of at least 66-2/3% of the outstanding shares of Preferred Stock, voting separately as a single class, in person or by proxy, at a special or annual meeting of stockholders called for the purpose, shall be necessary to (i) authorize, adopt or approve an amendment to the Charter that would increase or decrease the par value of the shares of Preferred Stock, or alter or change the powers, preferences or special rights of the shares of Preferred Stock, (ii) amend, alter or repeal the Charter so as to affect the shares of Preferred Stock adversely, including, without limitation, by granting any voting right to any holder of notes, bonds, debentures or other debt obligations of the Corporation, or (iii) authorize, increase the authorized number of shares of, or issue (including on conversion or exchange of any convertible or exchangeable securities or by reclassification) any additional shares of Preferred Stock.

(c) The holders of shares of Preferred Stock shall have, in addition to the other voting rights set forth herein, the exclusive right, voting separately as a single class, to elect three directors of the Corporation, by written consent as provided herein, or at a special meeting of such holders called as provided herein, one of which director shall be elected to each of the corporation's three classes if the Corporation has a classified Board of Directors. Such directors shall continue as directors (subject to reelection or removal as provided in Section 3(d) (ii)) and the holders of Preferred Stock shall have such class voting rights until such time as the number of outstanding shares of Preferred Stock represent (after giving effect to any adjustments) on a fully-diluted basis less than 5% of the total number of shares of Common Stock outstanding, at which time such additional director shall cease to be a director and such additional voting rights of the holders of Preferred Stock shall terminate subject to revesting in the event of each and every subsequent event of the character indicated above.

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(d) (i) The foregoing right of holders of shares of Preferred Stock to take any action as provided in Section 3(c) may be exercised at any annual meeting of stockholders or at a special meeting of holders of shares of Preferred Stock held for such purpose as hereinafter provided or at any adjournment thereof, or by the written consent, delivered to the Secretary of the Corporation, of the holders of the minimum number of shares required to take such action.

So long as such right to vote continues (and unless such right has been exercised by written consent of the minimum number of shares required to take such action), the Chief Executive Officer or President of the Corporation may call, and upon the written request of holders of record of at least 5% of the outstanding shares of Preferred Stock, addressed to the Secretary of the Corporation at the principal office of the Corporation, shall call, a special meeting of the holders of shares entitled to vote as provided herein. Such meeting shall be held within 30 days after delivery of such request to the Secretary, at the place and upon the notice provided by law and in the by-laws of the Corporation for the holding of meetings of stockholders.

(ii) At each meeting of stockholders at which the holders of shares of Preferred Stock shall have the right, voting separately as a single class, to elect three directors of the Corporation as provided in Section 3(c) or to take any action, the presence in person or by proxy of the holders of record of one-third of the total number of shares of Preferred Stock then outstanding and entitled to vote on the matter shall be necessary and sufficient to constitute a quorum. At any such meeting or at any adjournment thereof:

(A) the absence of a quorum of the holders of shares of Preferred Stock shall not prevent the election of directors other than those to be elected by the holders of shares of Preferred Stock, and the absence of a quorum of the holders of shares of any other class or series of capital stock shall not prevent the election of directors to be elected by the holders of shares of Preferred Stock, or the taking of any action as provided in this Section 3: and

(B) in the absence of a quorum of the holders of shares of Preferred Stock, a majority of the holders of such shares present in person or by proxy shall have the power to adjourn the meeting as to the actions to be taken by the holders of shares of Preferred Stock from time to time and place to place without notice other than announcement at the meeting until a quorum shall be present.

For taking of any action as provided in Section 3(b) or Section 3(c) by the holders of shares of Preferred Stock, each such holder shall have one vote for each share of such stock standing in his or her name on the transfer books of the Corporation as of any record date fixed for such purpose or, if no such date be fixed, at the close of business on the Business Day next

preceding the day on which notice is given, or if notice is waived, at the close of business on the Business Day next preceding the day on which the meeting is held; provided, however, that shares of Preferred Stock held by the Corporation or any Affiliate of the Corporation shall not be deemed to be outstanding for purposes of taking any action as provided in this Section 3.

Each director elected by the holders of shares of Preferred Stock as provided in Section 3(c) shall, unless his or her term shall expire earlier in accordance with the

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provisions thereof, hold office until the annual meeting of stockholders at which directors of the class stand for election or until his or her successor, if any, is elected and qualified.

If any director so elected by the holders of Preferred Stock shall cease to serve as a director before his or her term shall expire (except by reason of the termination of the voting rights accorded to the holders of Preferred Stock in accordance with Section 3(c)), the holders of the Preferred Stock then outstanding and entitled to vote for such director may, by written consent as provided herein, or at a special meeting of such holders called as provided herein, elect a successor to hold office for the unexpired term of the director whose place shall be vacant.

Any director elected by the holders of shares of Preferred Stock voting separately as a single class may be removed from office with or without cause by the vote or written consent of the holders of at least a majority of the outstanding shares of Preferred Stock, at the time of removal. A special meeting of the holders of shares of Preferred Stock may be called in accordance with the procedures set forth in Section 3(d) (i).

Section 4. REDEMPTION. The Corporation shall not have any right to redeem any shares of Preferred Stock.

Section 5. REACQUIRED SHARES.

Any shares of Preferred Stock converted, exchanged, redeemed, purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares of Preferred Stock shall upon their cancellation become authorized but unissued shares of preferred stock, par value \$25.00 per share, of the Corporation and, upon the filing of an appropriate Certificate of Designation with the Secretary of State of the State of Delaware, may be reissued as part of another series of preferred stock, par value \$25.00 per share, of the Corporation subject to the conditions or restrictions on issuance set forth herein, but in any event may not be reissued as shares of Preferred Stock or other Parity Stock unless all of the shares of Preferred Stock issued on the Issue Date shall have already been redeemed, converted or exchanged.

Section 6. LIQUIDATION, DISSOLUTION OR WINDING UP.

(a) If the Corporation shall commence a voluntary case under the United States bankruptcy laws or any applicable bankruptcy, insolvency or similar law of any other country, or consent to the entry of an order for relief in an involuntary case under any such law or to the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the Corporation or of any substantial part of its property, or make an assignment for the benefit of its creditors, or admit in writing its inability to pay its debts generally as they become due (any such event, a "Voluntary Liquidation Event"), or if a decree or order for relief in respect of the Corporation shall be entered by a court having jurisdiction in the premises in an involuntary case under the United States bankruptcy laws or any applicable bankruptcy, insolvency or similar law of any other country, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the Corporation or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and on account of any such event the Corporation shall liquidate, dissolve or wind up, or if the Corporation shall otherwise liquidate, dissolve or wind up, no distribution shall be made (i) to the holders of

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shares of Junior Stock unless, prior thereto, the holders of shares of Preferred Stock shall have received the Liquidation Preference.

(b) Neither the consolidation or merger of the Corporation with or into any other Person nor the sale or other distribution to another Person of all or substantially all the assets, property or business of the Corporation shall be deemed to be a liquidation, dissolution or winding up of the Corporation for purposes of this Section 6.

Section 7. CONVERSION.

(a) Any holder of Preferred Stock shall have the right, at its option, at any time and from time to time, to convert, subject to the terms and provisions of this Section 7, any or all of such holder's shares of Preferred

Stock into such number of fully paid and non-assessable shares of Common Stock as is equal, subject to Section 7(g), to the product of the number of shares of Preferred Stock being so converted multiplied by the quotient of (i) the Purchase Price divided by (ii) the Conversion Price (as defined below) then in effect. The Conversion Price shall be \$1.00, subject to adjustment as set forth in Section 7(d). Such conversion right shall be exercised by the surrender of the shares to be converted to the Corporation at any time during usual business hours at its principal place of business to be maintained by it, accompanied by written notice that the holder elects to convert such shares and specifying the name or names (with address) in which a certificate or certificates for shares of Common Stock are to be issued and (if so required by the Corporation) by a written instrument or instruments of transfer in form reasonably satisfactory to the Corporation duly executed by the holder or its duly authorized legal representative and transfer tax stamps or funds therefor, if required pursuant to Section 7(j). All shares of Preferred Stock surrendered for conversion shall be delivered to the Corporation for cancellation and cancelled by it and no shares of Preferred Stock shall be issued in lieu thereof.

(b) As promptly as practicable after the surrender, as herein provided, of any shares of Preferred Stock for conversion pursuant to Section 7(a), the Corporation shall deliver to or upon the written order of the holder of such shares so surrendered a certificate or certificates representing the number of fully paid and non-assessable shares of Common Stock into which such shares of Preferred Stock may be or have been converted in accordance with the provisions of this Section 7. Subject to the following provisions of this paragraph and of Section 7(d), such conversion shall be deemed to have been made immediately prior to the close of business on the date that such shares of Preferred Stock shall have been surrendered in satisfactory form for conversion, and the Person or Persons entitled to receive the Common Stock deliverable upon conversion of such shares of Preferred Stock shall be treated for all purposes as having become the record holder or holders of such Common Stock at such appropriate time, and such conversion shall be at the Conversion Price in effect at such time; PROVIDED, HOWEVER, that no surrender shall be effective to constitute the Person or Persons entitled to receive the Common Stock deliverable upon such conversion as the record holder or holders of such Common Stock while the share transfer books of the Corporation shall be closed (but not for any period in excess of five days), but such surrender shall be effective to constitute the Person or Persons entitled to receive such Common Stock as the record holder or holders thereof for all purposes immediately prior to the close of business on the next succeeding day on which such share transfer books are open, and such conversion shall be deemed to have been made at, and shall be made at the Conversion Price in effect at, such time on such next succeeding day.

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(c) To the extent permitted by law, when shares of Preferred Stock are converted, all dividends declared and unpaid on the Preferred Stock so converted to the date of conversion shall be immediately due and payable and must accompany the shares of Common Stock issued upon such conversion.

(d) The Conversion Price shall be subject to adjustment as follows:

(i) In case the Corporation shall at any time or from time to time (A) pay a dividend or make a distribution (other than a dividend or distribution paid or made to holders of shares of Preferred Stock in the manner provided in Section 2) on the outstanding shares of Common Stock in capital stock (which, for purposes of this Section 7(d) shall include, without limitation, any dividends or distributions in the form of options, warrants or other rights to acquire capital stock) of the Corporation, (B) subdivide the outstanding shares of Common Stock into a larger number of shares, (C) combine the outstanding shares of Common Stock into a smaller number of shares, or (D) issue any shares of its capital stock in a reclassification of the Common Stock then, and in each such case, the Conversion Price in effect immediately prior to such event shall be adjusted (and any other appropriate actions shall be taken by the Corporation) so that the holder of any share of Preferred Stock thereafter surrendered for conversion shall be entitled to receive the number of shares of Common Stock or other securities of the Corporation that such holder would have owned or would have been entitled to receive upon or by reason of any of the events described above, had such share of Preferred Stock been converted immediately prior to the occurrence of such event. An adjustment made pursuant to this Section 7(d) (i) shall become effective retroactively (A) in the case of any such dividend or distribution, to a date immediately following the close of business on the record date for the determination of holders of Common Stock entitled to receive such dividend or distribution or (B) in the case of any such subdivision, combination or reclassification, to the close of business on the day upon which such corporate action becomes effective.

(ii) In case the Corporation shall at any time or from time to time issue shares of Common Stock (or securities convertible into or exchangeable for Common Stock, or any options, warrants or other rights to acquire shares of Common Stock) for a consideration per share less

than the Current Market Price per share of Common Stock then in effect at the record date or issuance date, as the case may be (the "Date"), referred to in the following sentence (treating the price per share of any security convertible or exchangeable or exercisable into Common Stock as equal to (A) the sum of the price for such security convertible, exchangeable or exercisable into Common Stock plus any additional consideration payable (without regard to any anti-dilution adjustments) upon the conversion, exchange or exercise of such security into Common Stock divided by (B) the number of shares of Common Stock initially underlying such convertible, exchangeable or exercisable security), then, and in each such case, the Conversion Price then in effect shall be adjusted by dividing the Conversion Price in effect on the day immediately prior to the Date by a fraction (x) the numerator of which shall be the sum of the number of shares of Common Stock outstanding on the Date plus the number of additional shares of Common Stock issued or to

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be issued (or the maximum number into which such convertible or exchangeable securities initially may convert or exchange or for which such options, warrants or other rights initially may be exercised) and (y) the denominator of which shall be the sum of the number of shares of Common Stock outstanding on the Date plus the number of shares of Common Stock which the aggregate consideration for the total number of such additional shares of Common Stock so issued or would be issued upon the conversion, exchange or exercise of such convertible or exchangeable securities or options, warrants or other rights (plus the aggregate amount of any additional consideration initially payable upon such conversion, exchange or exercise of such security) would purchase at the Current Market Price per share of Common Stock on the Date. Such adjustment shall be made whenever such shares, securities, options, warrants or other rights are issued, and shall become effective retroactively to a date immediately following the close of business (i) in the case of issuance to stockholders of the Corporation, as such, on the record date for the determination of stockholders entitled to receive such shares, securities, options, warrants or other rights and (ii) in all other cases, on the date ("issuance date") of such issuance; PROVIDED that: (A) the determination as to whether an adjustment is required to be made pursuant to this Section 7(d)(ii) shall be made upon the issuance of such shares or such convertible or exchangeable securities, options, warrants or other rights; (B) if any convertible or exchangeable securities, options, warrants or other rights (or any portions thereof) which shall have given rise to an adjustment pursuant to this Section 7(d)(ii) shall have expired or terminated without the exercise thereof and/or if by reason of the terms of such convertible or exchangeable securities, options, warrants or other rights there shall have been an increase or increases, with the passage of time or otherwise, in the price payable upon the exercise or conversion thereof, then the Conversion Price hereunder shall be readjusted (but to no greater extent than originally adjusted) on the basis of (x) eliminating from the computation any additional shares of Common Stock corresponding to such convertible or exchangeable securities, options, warrants or other rights as shall have expired or terminated, (y) treating the additional shares of Common Stock, if any, actually issued or issuable pursuant to the previous exercise of such convertible or exchangeable securities, options, warrants or other rights as having been issued for the consideration actually received and receivable therefor and (z) treating any of such convertible or exchangeable securities, options, warrants or other rights which remain outstanding as being subject to exercise or conversion on the basis of such exercise or conversion price as shall be in effect at this time; and (C) no adjustment in the Conversion Price shall be made pursuant to this Section 7(d)(ii) as a result of any issuance of securities by the Corporation in respect of which an adjustment to the Conversion Price is made pursuant to Section 7(d)(i).

(iii) In the case the Corporation, at any time or from time to time, shall take any action affecting its Common Stock similar to or having an effect similar to any of the actions described in any of Section 7(d)(i) and Section 7(d)(ii), or Section 7(h) (but not including any action described in any such Section) and the Board of Directors of the Corporation in good faith determines that it would be equitable in the circumstances to adjust the Conversion Price as a result of such action, then, and in each such case, the

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Conversion Price shall be adjusted in such manner and at such time as the Board of Directors of the Corporation in good faith determines would be equitable in the circumstances (such determination to be evidenced in a resolution, a certified copy of which shall be mailed to the holders of the Preferred Stock).

(iv) Notwithstanding anything herein to the contrary, no adjustment under this Section 7(d) need be made to the Conversion Price unless such adjustment would require an increase or decrease of at least

1% of the Conversion Price then in effect. Any lesser adjustment shall be carried forward and shall be made at the time of and together with the next subsequent adjustment, which, together with any adjustment or adjustments so carried forward, shall amount to an increase or decrease of at least 1% of such Conversion Price. Any adjustment to the Conversion Price carried forward and not theretofore made shall be made immediately prior to the conversion of any shares of Preferred Stock pursuant hereto.

(v) Notwithstanding anything herein to the contrary, no adjustment under this Section 7(d) shall be made upon the grant of options to employees or directors of the Corporation pursuant to benefit plans approved by the Board of Directors of the Corporation or upon the issuance of shares of Common Stock upon exercise of such options if the exercise price thereof was not less than the Market Price of the Common Stock on the date such options were granted.

(e) If the Corporation shall take a record of the holders of its Common Stock for the purpose of entitling them to receive a dividend or other distribution, and shall thereafter and before the distribution to stockholders thereof legally abandon its plan to pay or deliver such dividend or distribution, then thereafter no adjustment in the Conversion Price then in effect shall be required by reason of the taking of such record.

(f) Upon any increase or decrease in the Conversion Price, then, and in each such case, the Corporation promptly shall deliver to each registered holder of Preferred Stock at least 10 Business Days prior to effecting any of the foregoing transactions a certificate, signed by the President or a Vice-President and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary of the Corporation, setting forth in reasonable detail the event requiring the adjustment and the method by which such adjustment was calculated and specifying the increased or decreased Conversion Price then in effect following such adjustment.

(g) No fractional shares or scrip representing fractional shares shall be issued upon the conversion of any shares of Preferred Stock. If more than one share of Preferred Stock shall be surrendered for conversion at one time by the same holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate Purchase Price of the shares of Preferred Stock so surrendered. If the conversion of any share or shares of Preferred Stock results in a fraction, an amount equal to such fraction multiplied by the Current Market Price of the Common Stock on the Business Day preceding the day of conversion shall be paid to such holder in cash by the Corporation.

(h) In case of any capital reorganization or reclassification or other change of outstanding shares of Common Stock (other than a change in par value, or from

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par value to no par value, or from no par value to par value), or in case of any consolidation or merger of the Corporation with or into another Person (other than a consolidation or merger in which the Corporation is the resulting or surviving Person and which does not result in any reclassification or change of outstanding Common Stock), or in case of any sale or other disposition to another Person of all or substantially all of the assets of the Corporation (any of the foregoing, a "Transaction"), the Corporation, or such successor or purchasing Person, as the case may be, shall execute and deliver to each holder of Preferred Stock at least 10 Business Days prior to effecting any of the foregoing Transactions a certificate that the holder of each share of Preferred Stock then outstanding shall have the right thereafter to convert such share of Preferred Stock into the kind and amount of shares of stock or other securities (of the Corporation or another issuer) or property or cash receivable upon such Transaction by a holder of the number of shares of Common Stock into which such share of Preferred Stock could have been converted immediately prior to such Transaction. Such certificate shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 7. If, in the case of any such Transaction, the stock, other securities, cash or property receivable thereupon by a holder of Common Stock includes shares of stock or other securities of a Person other than the successor or purchasing Person and other than the Corporation, which controls or is controlled by the successor or purchasing Person or which, in connection with such Transaction, issues stock, securities, other property or cash to holders of Common Stock, then such certificate also shall be executed by such Person, and such Person shall, in such certificate, specifically acknowledge the obligations of such successor or purchasing Person and acknowledge its obligations to issue such stock, securities, other property or cash to the holders of Preferred Stock upon conversion of the shares of Preferred Stock as provided above. The provisions of this Section 7(h) and any equivalent thereof in any such certificate similarly shall apply to successive Transactions.

(i) The Corporation shall at all times reserve and keep available for issuance upon the conversion of the Preferred Stock, such number of its authorized but unissued shares of Common Stock as will from time to time be sufficient to permit the conversion of all outstanding shares of Preferred

Stock, and shall take all action required to increase the authorized number of shares of Common Stock if at any time there shall be insufficient authorized but unissued shares of Common Stock to permit such reservation or to permit the conversion of all outstanding shares of Preferred Stock.

(j) The issuance or delivery of certificates for Common Stock upon the conversion of shares of Preferred Stock shall be made without charge to the converting holder of shares of Preferred Stock for such certificates or for any tax in respect of the issuance or delivery of such certificates or the securities represented thereby, and such certificates shall be issued or delivered in the respective names of, or (subject to compliance with the applicable provisions of federal and state securities laws) in such names as may be directed by, the holders of the shares of Preferred Stock converted; provided, HOWEVER, that the Corporation shall not be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of any such certificate in a name other than that of the holder of the shares of Preferred Stock converted, and the Corporation shall not be required to issue or deliver such certificate unless or until the Person or Persons requesting the issuance or delivery thereof shall have paid to the Corporation the amount of such tax or shall have established to the reasonable satisfaction of the Corporation that such tax has been paid.

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Section 8. CERTAIN REMEDIES.

Any registered holder of Preferred Stock shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Certificate of Designation and to enforce specifically the terms and provisions of this Certificate of Designation in any court of the United States or any state thereof having jurisdiction, this being in addition to any other remedy to which such holder may be entitled at law or in equity.

Section 9. DEFINITIONS.

For the purposes of this Certificate of Designation of Preferred Stock, the following terms shall have the meanings indicated:

"Affiliate" shall have the meaning ascribed to such term in Rule 12b-2 of the General Rules and Regulations under the Exchange Act; PROVIDED that "Affiliate" shall not include the Purchaser or any Affiliate of the Purchaser.

"Business Day" shall mean any day other than a Saturday, Sunday or other day on which commercial banks in the City of New York are authorized or required by law or executive order to close.

"Common Stock" shall mean and include the Common Stock, par value \$0.10 per share, of the Corporation and each other class of capital stock of the Corporation that does not have a preference over any other class of capital stock of the Corporation as to dividends or upon liquidation, dissolution or winding up of the Corporation and, in each case, shall include any other class of capital stock of the Corporation into which such stock is reclassified or reconstituted.

"Current Market Price" per share shall mean, on any date specified herein for the determination thereof, (a) the average daily Market Price of the Common Stock for those days during the period of 20 days, ending on such date, which are Trading Days, and (b) if the Common Stock is not then listed or admitted to trading on any national securities exchange or quoted in the over-the-counter market, the Market Price on such date.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Securities and Exchange Commission thereunder.

"Issue Date" shall mean the first date on which shares of Preferred Stock are issued.

"Junior Stock" shall mean any capital stock of the Corporation ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Preferred Stock including, without limitation, the Common Stock.

"Liquidation Preference" with respect to a share of Preferred Stock shall mean \$10.00.

"Market Price" shall mean, per share of Common Stock on any date specified herein: (a) the closing price per share of the Common Stock on such date published in the Wall Street Journal or, if no such closing price on such date is published in the Wall Street Journal, the average of the closing bid and asked prices on such date, as

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officially reported on the principal national securities exchange on which the Common Stock is then listed or admitted to trading; or (b) if the Common Stock is not then listed or admitted to trading on any national securities exchange

but is designated as a national market system security by the NASD, the last trading price of the Common Stock on such date; or (c) if there shall have been no trading on such date or if the Common Stock is not so designated, the average of the reported closing bid and asked prices of the Common Stock on such date as shown by NASDAQ and reported by any member firm of the New York Stock Exchange, Inc. selected by the Corporation. If none of (a), (b) or (c) is applicable, Market Price shall mean a market price per share determined at the Corporation's expense by an appraiser chosen by the holders of a majority of the shares of Preferred Stock or, if no such appraiser is so chosen more than twenty business days after notice of the necessity of such calculation shall have been delivered by the Corporation to the holders of Preferred Stock, then by an appraiser chosen by the Corporation.

"NASD" shall mean the National Association of Securities Dealers, Inc.

"NASDAQ" shall mean the National Market System of the National Association of Securities Dealers, Inc. Automated Quotations System.

"Parity Stock" shall mean any capital stock of the corporation ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Preferred Stock.

"Person" shall mean any individual, firm, corporation, partnership, trust, incorporated or unincorporated association, limited liability company, joint venture, joint stock company, government (or an agency or political subdivision thereof) or other entity of any kind, and shall include any successor (by merger) of such entity.

"Purchase Price" means \$2,750 per share of Preferred Stock.

"Purchaser" shall mean The 1818 Fund II, L.P., a Delaware limited partnership.

"Senior Stock" shall mean any capital stock of the Corporation ranking senior (either as to dividends or upon liquidation, dissolution or winding up) to the Preferred Stock.

"Subsidiary" shall mean, with respect to any Person, a corporation or other entity of which 50% or more of the voting power of the voting equity securities or equity interest is owned, directly or indirectly, by such Person.

"Trading Day" shall mean a day on which the national securities exchanges are open for trading.

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IN WITNESS WHEREOF, VAALCO ENERGY, INC. has caused this Certificate to be duly executed in its corporate name on this 20th day of April, 1998.

VAALCO ENERGY, INC.

By /s/ W. RUSSELL SCHEIRMAN

Name: W. Russell Scheirman
Title: President

ATTEST:

By /s/ GAYLA CUTRER
Name: Gayla Cutrer
Title: Secretary

VAALCO ENERGY, INC.
4600 POST OAK PLACE, SUITE 309
HOUSTON, TEXAS 77027
TEL: (713) 623-0801 FAX: (713) 623-0982

PRESS RELEASE

VAALCO ENERGY, INC. ANNOUNCES CLOSING OF
OFFERING AND ACQUISITION

April 23, 1998
For Further
Information Contact
Russell Scheinman
713-623-0801

VAALCO Energy, Inc. (OTC: VEIX) announces that it completed the acquisition of 1818 Oil Corp. from The 1818 Fund II, L.P. in exchange for 25,000 shares of Preferred Stock convertible into 27.5 million shares of VAALCO's common stock. The general partner of The 1818 Fund II, L.P. is Brown Brothers Harriman & Co. The principal assets of the 1818 Oil Corp. are a limited partnership interest in Hunt Overseas Exploration Company, L.P., a partnership engaged in the exploration for oil internationally, and \$12.6 million in cash. The cash held by 1818 Oil Corp. will be used to fund its obligations to make capital contributions to the Hunt partnership.

VAALCO also announced the simultaneous closing of a private placement of 5.2 million shares of its common stock for estimated net proceeds of \$9.5 million. 3,763,441 of the shares sold in the private placement were acquired by The 1818 Fund II, L.P. as part of the acquisition of the 1818 Oil Corp. and the balance were acquired by institution investors. Proceed of the offering will be used fund VAALCO's capital budget for 1998.

As a result of the acquisition of 1818 Oil Corp. and the private placement of securities, The 1818 Fund II, L.P. will beneficially own approximately 64% of the outstanding shares of VAALCO, assuming conversion of the preferred stock, The 1818 Fund II, L.P. has appointed T. Michael Long, Lawrence C. Tucker, and Walter W. Grist to VAALCO's Board of Directors.

VAALCO also announces the formation of a joint venture with Paramount Petroleum Company and Robert Schneeflock, the owner of Paramount, to explore for oil and gas in the Gulf Coast area.

VAALCO will commence the drilling of the Etame prospect, offshore Gabon, within the next two weeks.

VAALCO is engaged in the exploration for a acquisition, devopment and production of oil and gas, with operations in the Philippines and Gabon and is a participant in exploration projects in Niger, Ghana, Newfoundland, Ethiopia, Peru, and Argentina, and domestically in Texas and the Gulf Coast Area.

Statement made in this press release, including those relating to the use of the proceeds of the offering and future plans of Vaalco to explore for oil and gas, are forward looking and made pursuant to the safe harbor provisions of the Securities Reform Act of 1995. Such statements involve risks and uncertainties which may cause results to differ materially from those set forth in the statements. Among other things, prices and supply of oil and gas, the ability of the company to discover and develop oil and gas and government regulations and policies may cause the Company to change its plans. In addition to the factors set forth in this release, the operational regulatory and competitive factors identified in the materials filed with the Securities and Exchange Commision could affect the forward looking statements contained in this release.