

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

VAALCO ENERGY, INC.

(Exact name of registrant as specified in its charter)

DELAWARE 76-0274813
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

4600 POST OAK PLACE, SUITE 309, HOUSTON, TEXAS 77027
TELEPHONE: (713) 623-0801
(Address, including zip code, and telephone number including
area code, of registrant's principal executive offices)

W. RUSSELL SCHEIRMAN
4600 POST OAK PLACE, SUITE 309, HOUSTON, TEXAS 77027
TELEPHONE: (713) 623-0801
(Name, address, including zip code, and telephone number
including area code, of agent for service)

COPIES TO:
BUTLER & BINION, L.L.P.
1000 LOUISIANA, SUITE 1600
HOUSTON, TEXAS 77002
ATTN: GEORGE G. YOUNG III, ESQ.
TELEPHONE: (713) 237-3111
TELECOPY: (713) 237-3202

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO PUBLIC: From time to time after the Registration Statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box:

If any securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

CALCULATION OF REGISTRATION FEE

TITLE OF CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT(1)	PROPOSED MAXI- MUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE
Common Stock, \$.10 par value	5,745,325	\$2.53	\$14,535,672	\$4,288.02

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933, as amended, on the basis of the average of the closing bid and asked price per share on the OTC Bulletin Board on July 10, 1998.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THE REGISTRATION STATEMENT

SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

*
* INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A *
* REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED *
* WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT *
* BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE *
* REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT *
* CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR *
* SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH *
* OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR *
* QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE. *
*

PROSPECTUS

SUBJECT TO COMPLETION, DATED JULY 13, 1998

5,745,325 Shares

VAALCO ENERGY, INC.

COMMON STOCK

The shares of common stock offered hereby (the "Offered Securities") are shares of common stock, par value \$.10 per share ("Common Stock"), of VAALCO Energy, Inc., a Delaware corporation (the "Company"), owned by certain stockholders of the Company. See "Selling Stockholders". The Company will not receive any of the proceeds from the sale of the Offered Securities hereby.

The Company's Common Stock trades on the OTC Bulletin Board under the symbol "VEIX." On July 10, 1998, the average of the closing bid and asking price of a share of the Common Stock on the OTC Bulletin Board was \$2.53 per share.

The Offered Securities may be offered and sold from time to time by Selling Stockholders through brokers or to dealers or directly to one or more purchasers in negotiated transactions, at market prices prevailing at the time of sale or at prices related to such market prices. The Offered Securities may be sold from time to time in transactions on the OTC Bulletin Board at the market price then prevailing although sales may also be made in negotiated transactions or otherwise. The Selling Stockholders and brokers executing selling orders on behalf of the Selling Stockholders and dealers to whom the Selling Stockholders may sell may be deemed to be "underwriters" within the meaning of the Securities Act of 1933, as amended ("Securities Act"), in which event commissions received by such brokers may be deemed to be underwriting commissions under the Securities Act. Although each Selling Stockholder may sell all or a portion of the shares of Common Stock offered hereby, no Selling Stockholder is required to make any such sale. See "Plan of Distribution" for further information concerning the plan of distribution of the Offered Securities.

The expenses of registration incurred in connection with this offering, estimated at \$50,000, will be paid by the Company, but all selling and other expenses incurred by Selling Stockholders will be borne by such Selling Stockholders. See "Plan of Distribution."

PROSPECTIVE PURCHASERS OF THE COMMON STOCK OFFERED HEREBY SHOULD CAREFULLY CONSIDER THE MATTERS SET FORTH UNDER THE CAPTION "RISK FACTORS," BEGINNING ON PAGE 3.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE DATE OF THIS PROSPECTUS IS JULY , 1998.
AVAILABLE INFORMATION

The Company has filed with the Securities and Exchange Commission (the "Commission") in Washington, D.C., a Registration Statement on Form S-3 ("Registration Statement") under the Securities Act with respect to the Common Stock offered by this Prospectus. Certain portions of the Registration Statement have not been included in this Prospectus. For further information, reference is made to the Registration Statement and the Exhibits thereto. The Company is subject to the information requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Commission. The Registration Statement (with exhibits), as well as such reports, proxy statements and other information can be inspected and copied at the public reference facilities maintained by the Commission at its principal offices at Judiciary Plaza, 450 Fifth Street, Room 1024, N.W., Washington, D.C. 20549, and its regional offices at Citicorp Center, 500 Madison Street, Suite 1400, Chicago, Illinois 60661 and

7 World Trade Center, Suite 1300, New York, New York 10048. Copies of such material can be obtained at prescribed rates from the Public Reference Section of the Commission at its principal office at Judiciary Plaza, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549. The Commission maintains a Web site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the Commission at <http://www.sec.gov>.

The Company provides its security holders an annual report containing audited financial statements for the fiscal year covered thereby. Such report usually is provided within 120-days after the end of the Company's most recent fiscal year.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The Company's (i) annual report on Form 10-KSB for the fiscal year ended December 31, 1997, filed on March 30, 1998, as supplemented by Form 10-KSB/A, filed May 15, 1998, (ii) the Company's quarterly report on Form 10-QSB for the fiscal quarter ended March 31, 1998, (iii) the description of the Company's Common Stock contained in the Company's Registration Statement on Form 10 (Reg. No. 0-20928) as amended by a Form 8 filed by the Company with the Commission on January 7, 1993 and a Form 8 filed by the Company with the Commission on January 25, 1993, (iv) the Company's Definitive Proxy Statement filed on June 4, 1998 relating to the Annual Meeting of Stockholders on June 24, 1998, (v) the Company's current report on Form 8-K dated March 4, 1998, and (vi) the Company's current report on Form 8-K filed on May 6, 1998, as supplemented by Form 8-K/A filed on May 29, 1998, are hereby incorporated herein by reference.

All documents filed by the Company pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act after the date of this Prospectus and before the termination of the offering covered hereby shall be deemed to be incorporated by reference in this Prospectus and to be a part hereof from the date of filing of such documents. Any statement contained in this Prospectus, in any supplement to this Prospectus or in a document incorporated or deemed to be incorporated by reference in this Prospectus shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained in this Prospectus or in any other subsequently filed document which also is or is deemed to be incorporated by reference modifies or replaces such statement. Any such statement shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

The Company will provide without charge to each person to whom this Prospectus is delivered, upon the written or oral request of such person, a copy of any or all of the documents incorporated by reference in this Prospectus, other than exhibits to such documents, unless such exhibits are specifically incorporated by reference into the information that this Prospectus incorporates. All such requests should be directed to VAALCO Energy, Inc., 4600 Post Oak Place, Suite 309, Houston, Texas 77027, Attention: Investor Relations Department, telephone number (713) 623-0801.

THE COMPANY

VAALCO Energy, Inc., a Delaware corporation (the "Company" or "VAALCO"), is engaged in the acquisition, exploration, development and production of oil and gas properties. VAALCO owns producing properties and conducts exploration activities internationally in the Philippines and domestically in the Texas Gulf Coast area, and has recently begun international exploration activities in Gabon, West Africa. VAALCO recently acquired a 7.5% interest in Hunt Overseas Exploration Company, L.P., which has exploration prospects in a number of international areas. The Company has also recently entered into a joint venture agreement to engage in the exploration of oil and gas properties in the United States, primarily in the onshore Gulf Coast area, including Alabama, Mississippi and Louisiana.

The Company's executive offices are located at 4600 Post Oak Place, Suite 309, Houston, Texas 77027, telephone number (713) 623-0801.

RECENT DEVELOPMENTS

GABON DISCOVERY. In June 1998, the Company successfully drilled its first exploration well offshore southern Gabon, West Africa. The well, located in the block covered by the Etame Marin Permit ("Permit"), tested at 3.5 MBbls/day (0.6 net to the Company), and is temporarily shut-in pending evaluation of the well results. The well is located just north of hydrocarbon accumulations in Tehibala North and Tehibala South which were identified in the 1970s but deemed non-commercial at that time. The Company has identified several other prospects in the block, and believes that this block has the potential to add significantly to the Company's reserves if initial interpretations prove correct.

The Company is the operator of the Permit and owns a 17.85% working interest. Western Atlas Afrique Ltd. has a 65% working interest and three additional partners collectively own the remaining 17.15% working interest. Under the terms of the Permit, the Gabonese government has the option to

participate with up to a 7.5% working interest in the development of any commercial discoveries on the block which, if exercised, would reduce proportionately the interest of the other participants.

HUNT TRANSACTION/ PRIVATE PLACEMENT. On April 21, 1998, the Company completed the acquisition of 1818 Oil Corp. from The 1818 Fund II, L.P. ("Fund") in exchange for 10,000 shares of the Company's preferred stock ("Preferred Stock") convertible into 27.5 million shares of Common Stock. The general partner of the Fund is Brown Brothers Harriman & Co. The principal assets of 1818 Oil Corp. are a limited partner interest in Hunt Overseas Exploration Company, L.P. ("Hunt"), 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 Hunt.

Simultaneously with the acquisition of 1818 Oil Corp., VAALCO completed a private placement of 5.2 million shares of Common Stock for estimated net proceeds of \$9.5 million. Of such shares, 3,763,441 were acquired by the Fund as part of the acquisition of the 1818 Oil Corp. and the balance was acquired by institutional investors. Proceeds of the offering were allocated to fund VAALCO's capital budget for 1998.

As a result of the acquisition of 1818 Oil Corp. and the private placement, the Fund beneficially owns approximately 64% of the outstanding shares of VAALCO, assuming conversion of the Preferred Stock. Pursuant to rights granted in the Preferred Stock, the Fund has appointed T. Michael Long, Lawrence Tucker and Walter Grist to VAALCO's Board of Directors. See "Risk Factors--Control by Major Stockholder."

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FORMATION OF JOINT VENTURE. In April 1998, VAALCO also completed the formation of a joint venture with Paramount Petroleum Company ("Paramount") and Robert Schneeflock, the owner of Paramount, to explore for oil and gas primarily in the onshore Gulf Coast area.

RISK FACTORS

PROSPECTIVE PURCHASERS OF THE OFFERED SECURITIES SHOULD CAREFULLY CONSIDER, TOGETHER WITH OTHER INFORMATION IN THIS PROSPECTUS, THE FOLLOWING FACTORS THAT MAY AFFECT THE COMPANY.

CONTROL BY MAJOR STOCKHOLDER

Currently, the Fund owns Common Stock and Preferred Stock which votes as a class with the Common Stock on an as converted basis, and which, in the aggregate, represents approximately 64% 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 held by the Fund 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 is able to control all matters submitted to a vote of the stockholders of the Company, including the election of directors.

The Company's Bylaws contain provisions 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 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.

VOLATILITY OF OIL AND GAS PRICES AND MARKETS

The Company's revenues, cash flow, profitability and future rate of growth are substantially dependent upon prevailing prices for oil and gas. The Company's ability to borrow funds and to obtain additional capital on attractive terms is also substantially dependent on oil and gas prices. The Company's production in the Philippines (representing substantially all of the Company's oil production since 1994) is from mature offshore fields with high production

costs. The Company's margin on sales from these fields (the price received for oil less the production costs for the oil) is lower than the margin on oil production from many other areas. As a result, the profitability of the Company's production in the Philippines is affected more by changes in prices than production located in other areas. Historically, oil and gas prices and markets have been volatile and are likely to continue to be volatile in the future. Prices for oil and gas are subject to wide fluctuations in response to relatively minor changes in supply of and demand for oil and gas, market uncertainty and a variety of additional factors that are beyond the control of the Company.

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These factors include international political conditions, the domestic and foreign supply of oil and gas, the level of consumer demand, weather conditions, domestic and foreign governmental regulations, the price and availability of alternative fuels and overall economic conditions. In addition, various factors, including the availability and capacity of gas gathering systems and pipelines, the effect of federal, state and foreign regulation of production and transportation, general economic conditions, changes in supply due to drilling by other producers and changes in demand may adversely affect the Company's ability to market its oil and gas production. Any significant decline in the price of oil or gas would adversely affect the Company's revenues, operating income, cash flows and borrowing capacity and may require a reduction in the carrying value of the Company's oil and gas properties and its planned level of capital expenditures.

The recent downturn in certain of the economies in Asia has resulted in a substantial oversupply of crude oil products in the area. The Company's Philippine production competes as an energy source with crude oil products, so the price received for the Company's production is being adversely affected by market instability and the current oversupply of crude oil products in the area. For example, average prices during the first quarter of 1998 were \$7.50 per Bbl, compared with \$9.00 per Bbl in the first quarter of 1997. Although the Company believes the oversupply of crude oil products will not be permanent, no assurances can be given as to the amount of time that will be required to return the supplies of crude oil products to normal.

REPLACEMENT OF RESERVES

The Company's future success depends upon its ability to find, develop or acquire additional oil and gas reserves that are economically recoverable. Except to the extent that the Company conducts successful exploration or development activities or acquires properties containing proved reserves, the estimated net proved reserves of the Company will generally decline as reserves are produced. There can be no assurance that the Company's planned development and exploration projects and acquisition activities will result in significant additional reserves or that the Company will have continuing success drilling productive wells at economic finding costs. The drilling of oil and gas wells involves a high degree of risk, especially the risk of dry holes or of wells that are not sufficiently productive to provide an economic return on the capital expended to drill the wells. In addition, the Company's drilling operations may be curtailed, delayed or canceled as a result of numerous factors, including title problems, weather conditions, political instability, economic/currency imbalances, compliance with governmental requirements and shortages or delays in the delivery of equipment and availability of drilling rigs. Certain of the Company's oil and gas properties are operated by third parties or may be subject to operating committees controlled by national oil companies and, as a result, the Company has limited control over the nature and timing of exploration and development of such properties or the manner in which operations are conducted on such properties.

SUBSTANTIAL CAPITAL REQUIREMENTS

The Company makes, and will continue to make, substantial capital expenditures for the acquisition, exploitation, development, exploration and production of oil and gas reserves. Historically, the Company has financed these expenditures primarily with cash flow from operations, asset sales, private sales of equity, bank borrowings and purchase money debt. The Company believes that it will have sufficient capital to finance planned capital expenditures through June 1999. If revenues decrease as a result of lower oil and gas prices, operating difficulties or declines in reserves, the Company may have limited ability to finance planned capital expenditures in the future. There can be no assurances that additional equity financing or cash generated by operations or borrowings will be available to meet these requirements.

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The Company has committed to invest \$3.0 million in the Paramount joint venture, of which \$0.7 million has already been funded. There can be no assurance that the Company will realize a return on this investment or that the Company's investment in the Paramount joint venture will be successful.

HISTORY OF LOSSES

Without giving effect to the acquisition of 1818 Oil Corp., the Company incurred net losses (after preferred dividends requirement) of \$12.3 million,

\$8.2 million, \$7.2 million and \$0.6 million for each of the years ended December 31, 1993, 1994, 1995 and 1996, respectively. In addition, 1818 Oil Corp. had net losses of \$0.2 million, \$1.0 million and \$16.0 million for each of the years ended December 31, 1995, 1996 and 1997, respectively and \$0.4 million for the three month ended March 31, 1998. No assurance can be made that the Company will operate profitably in the future. The likelihood of the Company's future profitability must be considered in light of the financial, business and operating risks, expenses, difficulties, and delays frequently encountered in connection with the oil and gas acquisition, exploration, development and production business in which the Company is engaged. The financial statements incorporated by reference herein do not include any adjustments that may result from these uncertainties.

DRILLING RISKS

Drilling activities are subject to many risks, including the risk that no commercially productive reservoirs will be encountered. There can be no assurance that new wells drilled by the Company will be productive or that the Company will recover all or any portion of its investment. Drilling for oil and natural gas may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. The cost of drilling, completing and operating wells is often uncertain and cost overruns are common. The Company's drilling operations may be curtailed, delayed or canceled as a result of numerous factors, many of which are beyond the Company's control, including title problems, weather conditions, compliance with governmental requirements and shortages or delays in the delivery of equipment and services.

OPERATING HAZARDS AND UNINSURED RISKS

The oil and gas business involves a variety of operating risks, including fire, explosions, blow-outs, pipe failure, casing collapse, abnormally pressured formations and environmental hazards such as oil spills, gas leaks, ruptures and discharges of toxic gases, the occurrence of any of which could result in substantial losses to the Company due to injury and loss of life, severe damage to and destruction of property, natural resources and equipment, pollution and other environmental damage, clean-up responsibilities, regulatory investigation and penalties and suspension of operations. The Company's production facilities are also subject to hazards inherent in marine operations, such as capsizing, sinking, grounding, collision and damage from severe weather conditions. The relatively deep offshore drilling conducted by the Company overseas involves increased drilling risks of high pressures and mechanical difficulties, including stuck pipe, collapsed casing and separated cable. The impact that any of these risks may have upon the Company is increased due to the low number of producing properties owned by the Company. The Company and operators of properties in which it has an interest maintain insurance against some, but not all, potential risks; however, there can be no assurance that such insurance will be adequate to cover any losses or exposure for liability. The occurrence of a significant unfavorable event not fully covered by insurance could have a material adverse effect on the Company's financial condition and results of operations. Furthermore, the Company cannot predict whether insurance will continue to be available at a reasonable cost or at all.

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UNCERTAINTIES IN ESTIMATING RESERVES AND FUTURE NET CASH FLOWS

There are numerous uncertainties inherent in estimating quantities of proved oil and gas reserves, including many factors beyond the control of the Company. Reserve engineering is a subjective process of estimating the underground accumulations of oil and gas that cannot be measured in an exact manner. The estimates incorporated by reference in this Prospectus are based on various assumptions required by the Commission, including unescalated prices and costs and capital expenditures, and, therefore, are inherently imprecise indications of future net revenues. Actual future production, revenues, taxes, operating expenses, development expenditures and quantities of recoverable oil and gas reserves may vary substantially from those assumed in the estimates. Any significant variance in these assumptions could materially affect the estimated quantity and value of reserves. In addition, the Company's reserves may be subject to downward or upward revision based upon production history, results of future development, availability of funds to acquire additional reserves, prevailing oil and gas prices and other factors. Moreover, the calculation of the estimated present value of the future net revenue using a 10% discount rate as required by the Commission is not necessarily the most appropriate discount factor based on interest rates in effect from time to time and risks associated with the Company's reserves or the oil and gas industry in general.

It is also possible that reserve engineers may make different estimates of reserves and future net revenues based on the same available data. In calculating reserves on a BOE basis, gas was converted to oil at the ratio of six Mcf of gas to one Bbl of oil. While this conversion ratio approximates the energy equivalent of oil and gas on a Btu basis, it may not represent the relative prices received by the Company on the sale of its oil and gas production.

The estimated future net revenues attributable to the Company's net proved

reserves are prepared in accordance with Commission guidelines, and are not intended to reflect the fair market value of the Company's reserves. In accordance with the rules of the Commission, the Company's reserve estimates are prepared using period end prices received for oil and gas. The estimated quantities and present values of the Company's reserves at December 31, 1996 would have been lower if prices in effect on December 31, 1997 were used to calculate such quantities and present values. Future reductions in prices below those prevailing at year end 1997 would result in the estimated quantities and present values of the Company's reserves being further reduced.

A substantial portion of the Company's proved reserves are or will be subject to service contracts, production sharing contracts and other arrangements. See "--Foreign Operations." The quantity of oil and gas the Company will ultimately receive under these arrangements will differ based on numerous factors, including the price of oil and gas, production rates, production costs, cost recovery provisions and local tax and royalty regimes. Changes in many of these factors do not affect estimates of U.S. reserves in the same way they affect estimates of proved reserves in foreign jurisdictions, or will have a different effect on reserves in foreign countries than in the United States. As a result, proved reserves in foreign jurisdictions may not be comparable to proved reserve estimates in the United States.

FOREIGN OPERATIONS

The Company's international assets and operations are subject to various political, economic and other uncertainties, including, among other things, the risks of war, expropriation, nationalization, renegotiation or nullification of existing contracts, taxation policies, foreign exchange restrictions, changing political conditions, international monetary fluctuations, currency controls and foreign governmental regulations that favor or require the awarding of drilling contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. In addition, if a dispute arises with foreign operations, the Company may be subject to the exclusive

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jurisdiction of foreign courts or may not be successful in subjecting foreign persons, especially foreign oil ministries and national oil companies, to the jurisdiction of the United States.

The Company's private ownership of oil and gas reserves under oil and gas leases in the United States differs distinctly from its ownership of foreign oil and gas properties. In the foreign countries in which the Company does business, the state generally retains ownership of the minerals and consequently retains control of (and in many cases, participates in) the exploration and production of hydrocarbon reserves. Accordingly, operations outside the United States may be materially affected by host governments through royalty payments, export taxes and regulations, surcharges, value added taxes, production bonuses, participation options and other charges.

Certain of the Company's producing properties are located offshore Palawan Island in the Philippines, and, consequently, a portion of the Company's assets is subject to regulation by the government of the Philippines. Although there has been unrest and uncertainty in the Philippines, to date, the country's Office of Energy Affairs has been largely unaffected by political changes. The Company has operated in the Philippines since 1985 and believes that it has good relations with the current Philippine government. However, there can be no assurance that present or future governmental regulation in the Philippines will not materially adversely affect the operations or cash flows of the Company.

All of the Company's current Philippine producing properties are located in fields covered under Service Contract 14. To obtain favorable tax treatment, at least 15% of Service Contract 14 must be owned by Philippine nationals. Residents of the Philippines currently own in excess of 15% of Blocks A, B, C and D of Service Contract 14, including 71% of Block C. The Company's ability to export oil produced in the Philippines is restricted by the terms of Service Contract 14. The Company currently sells its oil production within the Philippines and therefore may be exposed to foreign currency risk.

INVESTMENT IN HUNT

The Company is a limited partner in Hunt. Generally, all decisions concerning the operations of Hunt are made by the general partner without the consent or input of the limited partners. Accordingly, the Company is not 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 disclosed herein under "Risk Factors" including, without limitation, "--Foreign Operations," "--Volatility of Oil and Gas Prices and Markets," "--Replacement of Reserves," "--Drilling Risks," "--Operating Hazards and Uninsured Risks," "--Uncertainties in Estimating Reserves and Future Net Cash Flows," "--Environmental and Other Regulations" and "--Acquisition Risks."

ENVIRONMENTAL AND OTHER REGULATIONS

The Company's business is regulated by the laws and regulations of the United States, Philippines and Gabon. In addition, Hunt does business in and is subject to the laws and regulations of other foreign

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countries. These laws and governmental regulations, which cover matters including drilling operations, taxation and environmental protection, may be changed from time to time in response to economic or political conditions. See "--Foreign Operations."

The Company's domestic operations are subject to numerous laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. The Company's domestic operations could result in liability for personal injuries, property damage, oil spills, discharge of hazardous materials, remediation and clean-up costs and other environmental damages. In addition, the Company could be liable for environmental damages caused by previous property owners. As a result, substantial liabilities to third parties or governmental entities may be incurred, the payment of which could have a material adverse effect on the Company's financial condition, results of operations and liquidity. The Company maintains insurance coverage for its operations, including limited coverage for sudden environmental damages, but does not believe that insurance coverage for environmental damages that occur over time is available at a reasonable cost. Moreover, the Company does not believe that insurance coverage for the full potential liability that could be caused by sudden environmental damages is available at a reasonable cost. Accordingly, the Company may be subject to liability or may lose substantial portions of its properties in the event of certain environmental damages. The Company could incur substantial costs to comply with environmental laws and regulations.

A substantial portion of the Company's producing properties are located offshore. The costs to abandon offshore wells may be substantial. For financial accounting purposes the Company accrues a per BOE charge over the life of a field to cover such abandonment costs. No assurances can be given that such reserves will be sufficient to pay such costs in the future as they are incurred.

The Oil Pollution Act of 1990 imposes a variety of regulations on "responsible parties" related to the prevention of oil spills. The implementation of new, or the modification of existing, environmental laws or regulations, including regulations promulgated pursuant to the Oil Pollution Act of 1990, could have a material adverse impact on the Company.

The recent trend toward stricter standards in environmental legislation and regulation in the U.S. is likely to continue. For instance, legislation has been introduced in Congress that would reclassify certain exploration and production wastes as "hazardous wastes" which would make the reclassified wastes subject to much more stringent handling, disposal and clean-up requirements. If such legislation were enacted, it could have a significant impact on the operating costs of the Company, as well as the oil and gas industry in general. Initiatives to further regulate the disposal of oil and gas wastes are also pending in certain states, and these various initiatives could have a similar impact on the Company.

In addition, while the Company believes that it is currently in compliance with environmental laws and regulations applicable to the Company's operations in the Philippines and Gabon, no assurances can be given that the Company will be able to continue to comply with such environmental laws and regulations without incurring substantial costs.

ACQUISITION RISKS

The Company intends to continue acquiring oil and gas properties. Although the Company performs a review of the acquired properties that it believes is consistent with industry practices, such reviews are inherently incomplete. It generally is not feasible to review in depth every individual property involved in each acquisition. Ordinarily, the Company will focus its due diligence efforts on the higher valued properties and will sample the remainder. However, even an in-depth review of all properties and records may not necessarily reveal existing or potential problems nor will it permit a buyer to become sufficiently familiar with the properties to assess fully their deficiencies and capabilities. Inspections may

not be performed on every well, and structural or environmental problems, such as ground water contamination, are not necessarily observable even when an inspection is undertaken. The Company may be required to assume preclosing liabilities, including environmental liabilities, and may acquire interests in properties on an "as is" basis. There can be no assurance that the Company's acquisitions will be successful.

LIMITED TRADING MARKET

At the present time, the Common Stock is not quoted on the Nasdaq Stock Market, Inc. ("NNM") or listed on any national stock exchange. Although the Common Stock currently trades on the OTC Bulletin Board, the trading volume has not been substantial and there can be no assurance as to the liquidity or sustainability of the market for the Common Stock or the ability of stockholders to sell Common Stock at any price. Future trading prices of the Common Stock will depend on many factors including, among others, prevailing market conditions and the Company's operating results. The Company does not currently meet the requirements of the NNM. There can be no assurance that the Common Stock will meet these listing requirements and that it will be accepted for trading on the NNM or on any national stock exchange.

As of June 15, 1998, 27,500,000 shares of Common Stock were issuable to the Fund upon conversion of the Preferred Stock, 1,445,325 shares of Common Stock were issuable upon the exercise of certain outstanding warrants and 2,075,000 shares of Common Stock were issuable upon the exercise of certain employee stock options. All of such shares may be exercised or converted within sixty days of the date of this Prospectus. In addition, the Fund has certain registration rights with respect to the shares of Common Stock issuable upon conversion of the Preferred Stock. The Common Stock being offered pursuant to this Prospectus represents approximately 27% of the Company's total outstanding securities (excluding options, warrants held by persons other than Jefferies and Company, Inc. and outstanding Preferred Stock conversion rights). All of these common shares, to the extent that they are eligible or appear to be eligible for sale in the public market, could have a materially adverse effect on the market price of the Common Stock and therefore make it more difficult to sell equity securities. The Company may issue additional equity securities in order to fund working capital requirements and for other purposes. To the extent the Company does so, existing stockholders may experience substantial dilution, particularly if the terms of such issuance include discounts to market prices or the issuance of convertible securities.

RELIANCE ON KEY PERSONNEL

The Company is highly dependent upon its executive officers and key employees, particularly Messrs. Gerry, Walston and Scheirman. Moreover, the Company's investment in the Paramount joint venture is highly dependent upon Robert Schneeflock. The unexpected loss of the services of any of these individuals could have a detrimental effect on the Company. The Company has entered into employment agreements with Messrs. Gerry and Scheirman which will terminate in August 1998. The Company does not maintain key man life insurance on any of its employees.

QUALIFICATION OF NET OPERATING LOSS CARRY FORWARD

As of December 31, 1996, the Company had a net operating loss carry forward of \$13.2 million for federal income tax purposes, and 1818 Oil 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 Oil Corp., the net operating loss of the Company which may be used to offset future taxable income will be limited to \$1.6 million during any year. The net operating losses of 1818 Oil Corp. were not affected by the acquisition.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus, including the documents incorporated by reference herein and the exhibits hereto and thereto, includes "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934 ("Exchange Act"). All statements other than statements of historical facts included or incorporated by reference in this Prospectus, including without limitation, statements regarding the Company's financial position, reserve quantities and net present values, business strategy, plans and objectives of management of the Company for future operations 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 assurance 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 above and elsewhere in this Prospectus as well as in periodic reports filed by the Company under the Exchange Act. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the Cautionary Statements.

The following table sets forth as to each Selling Stockholder: (i) such Stockholder's name and relationship to the Company, (ii) the number of shares of Common Stock beneficially owned as of June 30, 1998, (iii) the number of shares of Common Stock to be sold pursuant to this Prospectus, and (iv) the number and percent of shares of Common Stock beneficially owned after the offering, assuming all of the Offered Shares are sold. The Selling Stockholders reserve the right to reduce the number of shares of Common Stock offered for sale or to otherwise decline to sell any or all of the Offered Securities registered hereunder.

NAME - ----	SHARES			
	BENEFICIALLY OWNED PRIOR TO OFFERING	SHARES TO BE SOLD IN THE OFFERING	SHARES OWNED AFTER OFFERING	PERCENT OF CLASS AFTER OFFERING
Jacob D. Landry (1)	100,000	100,000	0	*
Emmett M. Murphy (1)	200,000	200,000	0	*
Centennial Energy Partners, L.P. (2)	387,500	387,500	0	*
Tercentennial Energy Partners, L.P. (3)	262,500	262,500	0	*
Quadrennial Partners, L.P. (4) .	75,000	75,000	0	*
Investment II L.C. (1)	25,000	25,000	0	*
L. Zachary Landry (1)	30,000	30,000	0	*
Avocet Capital Management (1)...	300,000	300,000	0	*
Sands Partnership No. 1 (5)	1,020,000	920,000	0	*
Sandpiper & Co. (1)	1,500,000	1,500,000	0	*
David D. May (1)	50,000	50,000	0	*

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SHARES

NAME - ----	SHARES			
	BENEFICIALLY OWNED PRIOR TO OFFERING	SHARES TO BE SOLD IN THE OFFERING	SHARES OWNED AFTER OFFERING	PERCENT OF CLASS AFTER OFFERING
Sanford B. Prater (1)	100,000	100,000	0	*
Philip J. Hempleman (1)	250,000	250,000	0	*
Boyd L. Jefferies Sharon K. Jefferies JTWOS (1)	50,000	50,000	0	*
W.S. Farish & Company (6)	100,000	100,000	0	*
C. Daniel Walker (6)	50,000	50,000	0	*
James M. Harrison (6)	50,000	50,000	0	*
Ashok N. Vasvani and Bansie Vasvani JTWROS (6)	50,000	50,000	0	*
Richard B. Coons (6)	50,000	50,000	0	*
Magowan Family Foundation (6) ..	75,000	75,000	0	*
Magowan Profit Sharing Plan (6).	25,000	25,000	0	*
Saroc Oil Company (6)	150,000	150,000	0	*
Meridian Fund, Ltd. (6)	200,000	200,000	0	*
Lee Global Energy Fund (6)	50,000	50,000	0	*
W.I. Lee (6)	50,000	50,000	0	*
George T. Graves III IRA (6) ...	20,000	20,000	0	*

Global Undervalued Securities				
Fund L.P. (6)	100,000	100,000	0	*
Jefferies & Company, Inc. (7) ..	445,325	445,325	0	*
	-----	-----	-----	-----
Total:	5,765,325	5,765,325	0	*

* The percentage of shares of Common Stock owned by each Selling Stockholder before and after the offering is less than 1%.

(1) The shares of Common Stock beneficially owned prior to the offering were purchased in a private placement which was consummated in July 1997 ("1997 Placement"). The shares are included in the Registration Statement of which this Prospectus is a part pursuant to a Registration Rights Agreement dated July 28, 1997 by and among the Company, Jefferies & Company, Inc. ("Jefferies") and certain purchasers listed therein ("1997 Agreement").

(2) Of the 387,500 shares of Common Stock beneficially owned by Centennial Energy Partners, L.P. prior to the offering, 250,000 were purchased in the 1997 Placement and are included herein pursuant to the 1997 Agreement and 137,500 were purchased in a private placement which was consummated in April 1998 ("1998 Placement") and are included herein pursuant to a Registration

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Rights Agreement dated April 21, 1998 by and among the Company, Jefferies and certain purchasers listed therein ("1998 Agreement").

(3) Of the 262,500 shares of Common Stock beneficially owned by Tercentennial Energy Partners, L.P. prior to the offering, 175,000 were purchased in the 1997 Placement and are included herein pursuant to the 1997 Agreement and 87,500 were purchased in the 1998 Placement and are included herein pursuant to the 1998 Agreement.

(4) Of the 75,000 shares of Common Stock beneficially owned by Quadrennial Partners, L.P. prior to the offering, 50,000 were purchased in the 1997 Placement and are included herein pursuant to the 1997 Agreement and 25,000 were purchased in the 1998 placement and are included herein pursuant to the 1998 Agreement.

(5) Of the 1,020,000 shares of Common Stock beneficially owned by Sands Partnership No. 1 prior to the offering, 920,000 were purchased in the 1997 Placement and are included herein pursuant to the 1997 Agreement and 100,000 were purchased in the 1998 Placement and are included herein pursuant to the 1998 Agreement.

(6) The shares of Common Stock beneficially owned prior to the offering were purchased in the 1998 Placement. The shares are included in the Registration Statement of which this Prospectus is a part pursuant to the 1998 Agreement.

(7) The shares of Common Stock beneficially owned by Jefferies are issuable to Jefferies upon the exercise of (i) a warrant to purchase 345,325 shares of Common Stock at an exercise price of \$1.00 per share granted to Jefferies for services rendered as placement agent in connection with the 1997 Placement and (ii) a warrant to purchase 100,000 shares of Common Stock at an exercise price of \$2.00 per share granted to Jefferies for services rendered as placement agent in connection with the 1998 Placement.

USE OF PROCEEDS

All proceeds from the sale of the Offered Securities will go to the Selling Stockholders. The Company will not receive any consideration for the sale of the Offered Securities registered hereunder.

DESCRIPTION OF CAPITAL STOCK

COMMON STOCK

The Company's authorized Common Stock consists of 100,000,000 shares of Common Stock, par value \$.10 per share, ("Common Stock") of which as of June 30, 1998, 20,749,964 shares were issued and outstanding and 31,020,325 shares were reserved for issuance upon exercise of outstanding options, warrants and Preferred Stock conversion rights. Holders of Common Stock do not have preemptive rights to subscribe for additional shares of Common Stock issued by the Company.

Holdings of the Common Stock are entitled to receive dividends as may be declared by the Board of Directors out of funds legally available therefor, subject to the rights of the holders of Preferred Stock. No dividend may be declared or paid on the Common Stock, and no Common Stock may be purchased by the Company, unless all accrued and unpaid dividends on the outstanding Preferred Stock have been paid, except for a purchase of shares of the Common Stock by the Company pursuant to Rule 13e-4(h)(5) of the Exchange Act. In the event of liquidation, holders of the Common Stock are entitled to share pro rata

in any distribution of the Company's assets remaining after payment of liabilities, subject to the preferences and rights of the holders of the Preferred Stock. All of the outstanding shares of the Common Stock are fully paid and non-assessable. Holders of Common Stock are entitled to cast one vote for each share held of record on all matters submitted to a vote of stockholders and are not entitled to cumulate votes for the election of directors.

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PREFERRED STOCK

The Certificate of Incorporation permits the Board to establish by resolution one or more series of preferred stock having such number of shares, designation, relative voting rights, dividend rates, liquidation and other rights, preferences, powers, qualifications, restrictions and limitations as may be fixed by the Board without any further stockholder approval. Such rights, preferences, powers, qualifications, restrictions and limitations as may be established could have the effect of impeding or discouraging the acquisition of control of the Company.

The Company's authorized preferred stock consists of 500,000 shares, par value \$25.00 per share. Currently, 10,000 shares of Convertible Preferred Stock, Series A, par value \$25.00 per share ("Preferred Stock") are issued and outstanding. The Preferred Stock ranks prior to all other classes and series of junior stock of the Company, including the Common Stock, with respect to rights on liquidation, dissolution or winding up.

DIVIDENDS AND DISTRIBUTIONS. In the event that the Company declares a cash dividend or makes any other distribution to holders of the Common Stock, the holder of each share of Preferred Stock will be entitled to receive a dividend or distribution in an amount equal to the amount of the dividend or distribution received by a holder of the number of shares of Common Stock for which such share of Preferred Stock is convertible.

VOTING RIGHTS. Each share of Preferred Stock entitles the owner thereof to vote at all special and annual meetings 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. Each holder of Preferred Stock is entitled to cast the number of votes per share as is equal to the number of votes that such holder would be entitled to cast if the holder had converted his shares of Preferred Stock into Common Stock on the applicable record date. In addition, 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, is necessary to (i) authorize, adopt or approve any amendment to the Certificate of Incorporation 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 Certificate of Incorporation so as to affect the shares of Preferred Stock adversely; or (iii) authorize, increase the authorized number of shares of, or issue any additional shares of Preferred Stock. Holders of Preferred Stock have the exclusive right, voting

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separately as a single class, to elect three directors of the Company, one of which director shall be elected to each of the Company's three classes, until such time as the number of outstanding shares of Preferred Stock represent on a fully-diluted basis less than 5% of the total number of shares of Common Stock outstanding. 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 shall be necessary and sufficient to constitute a quorum for all matters on which the holders of Preferred Stock vote separately as a class.

REDEMPTION. The shares of Preferred Stock are not redeemable.

REACQUIRED SHARES. Any shares of Preferred Stock converted, exchanged or otherwise acquired by the Company will be retired and canceled, and will become authorized but unissued shares of preferred stock, par value \$25.00 per share, to be reissued upon the filing of an appropriate certificate of designation. Such shares may not be reissued as shares of Preferred Stock or any other parity stock unless all of the shares of Preferred Stock are already converted, exchanged or otherwise reacquired.

LIQUIDATION, DISSOLUTION OR WINDING UP. In the event of any liquidation, dissolution or winding up of the Company, no distribution will be made to the holders of shares of Common Stock or any other class of stock of the Company ranking junior to the Preferred Stock until the holders of the shares of Preferred Stock shall have received a liquidating distribution in the amount of \$10.00 per share. Neither the consolidation or merger of the Company with another person nor the sale or other distribution to another person of all or substantially all of the assets, property or business of the Company will be considered a liquidation, dissolution or winding up of the Company for these purposes.

CONVERSION. Each holder of any shares of Preferred Stock will have the right, at the holder's option, at any time and from time to time, to convert any

or all of such shares into Common Stock into a number of shares of Common Stock equal to the product of the number of shares of Preferred Stock being so converted multiplied by the quotient of (i) \$2,750 per share of Preferred Stock divided by (ii) \$1.00 (the "Conversion Price"). The Conversion Price may be subject to adjustment in certain events including (a) dividends (and other distributions) payable in any class of capital stock of the Company on shares of Common Stock; (b) the issuance to all holders of Common Stock of rights or warrants, entitling holders of such rights or warrants to subscribe for or purchase Common Stock at less than the current market price; (c) subdivisions or combinations of Common Stock; (d) the issuance of any shares of capital stock in reclassification of the Common Stock; or (e) any other action taken by the Company affecting the Common Stock similar to or having an effect similar to the actions described in (a) through (d).

REGISTRATION RIGHTS

Approximately 37,128,766 shares of Common Stock (of which 27,945,325 shares are issuable upon exercise of certain outstanding warrants or conversion of outstanding shares of Preferred Stock) and 10,000 shares of Preferred Stock (collectively, the "Shares") are entitled to certain rights with respect to their registration under the Securities Act. In the event that the Company proposes to register any of its securities under the Securities Act other than on Forms S-4 or S-8, the holders of the Shares shall be entitled to include their shares in such registration (a "piggyback registration") subject to the right of the underwriters of any such offering to limit the number of such shares. Certain holders of the Shares that participate in a piggyback or demand registration will be subject to a 90-day lockup period on securities of the Company not included in any such registration. The Company has agreed to pay all expenses in connection with each registration statement prepared pursuant to the Registration Agreement, other than underwriting discounts and selling commissions, which shall be borne by the participating sellers in proportion to the number of shares sold by each.

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CERTAIN ANTI-TAKEOVER PROVISIONS

The Restated Certificate of Incorporation (the "Certificate") and Bylaws of the Company and Delaware law contain several provisions that may make the acquisition of control by the Company by means of a tender offer, open market purchases, a proxy fight, or otherwise more difficult.

DELAWARE LAW

Section 203 of the Delaware General Corporation Law ("Section 203") restricts certain transactions between a corporation organized under Delaware law (or its majority-owned subsidiaries) and any person holding 15% or more of the corporation's outstanding voting stock, together with the affiliates or associates of such person (an "Interested Stockholder"). Section 203 prevents, for a period of three years following the date that a person becomes an Interested Stockholder, the following types of transactions between the corporation and the Interested Stockholder (unless certain conditions, described below, are met): (a) mergers or consolidations, (b) sales, leases, exchanges or other transfers of 10% or more of the aggregate assets of the corporation, (c) issuances or transfers by the corporation of any stock of the corporation which would have the effect of increasing the Interested Stockholder's proportionate share of the stock of any class or series of the corporation, (d) any other transaction which has the effect of increasing the proportionate share of the stock of any class or series of the corporation which is owned by the Interested Stockholder, and (e) receipt by the Interested Stockholder of the benefit (except proportionately as a stockholder) of loans, advances, guarantees, pledges or other financial benefits provided by the corporation.

The three-year ban does not apply if either the proposed transaction or the transaction by which the Interested Stockholder became an Interested Stockholder is approved by the board of directors of the corporation prior to the date such stockholder becomes an Interested Stockholder. Additionally, an Interested Stockholder may avoid the statutory restriction, if, upon the consummation of the transaction whereby such stockholder becomes an Interested Stockholder, the stockholder owns at least 85% of the outstanding voting stock of the corporation without regard to those shares owned by the corporation's officers and directors or certain employee stock plans. Business combinations are also permitted within the three-year period if approved by the board of directors and authorized at an annual or special meeting of stockholders, by the holders of at least 66 2/3% of the outstanding voting stock not owned by the Interested Stockholder. In addition, any transaction is exempt from the statutory ban if it is proposed at a time when the corporation has proposed, and a majority of certain continuing directors of the corporation have approved, a transaction with a party who is not an Interested Stockholder of the corporation (or who becomes such with board approval) if the proposed transaction involves (a) certain mergers or consolidations involving the corporation, (b) a sale or other transfer of over 50% of the aggregate assets of the corporation, or (c) a tender or exchange offer for 50% of more of the outstanding voting stock of the corporation.

A corporation may, at its option, exclude itself from the coverage of

Section 203 by amending its certificate of incorporation or bylaws by action of its stockholders to exempt itself from coverage, provided that such bylaw or charter amendment shall not become effective until 12 months after the date it is adopted. The Company has not adopted such a charter or bylaw amendment.

BOARD OF DIRECTORS

CLASSIFIED BOARD OF DIRECTORS. The Certificate and Bylaws provide for the Company's board of directors (The "Board" or "Board of Directors") to be divided into three classes of directors serving staggered three-year terms. As a result, approximately one-third of the Board of Directors is elected each year. The classification of directors will have the effect of making it more difficult for stockholders of the Company to change the composition of the Board of Directors in a relatively short period of time. At least

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two annual meetings of stockholders, instead of one, will generally be required to effect a change in a majority of the directors on the Board. In addition, one director in each class is elected by the holders of Preferred Stock, voting as a class.

NUMBER OF DIRECTORS. The Bylaws provide that the number of directors shall be not less than three nor more than 15, the exact number to be fixed from time to time by the Board of Directors. Vacancies in the Board or newly created directorships resulting from an increase in the number of directors may be filled by a majority of the remaining directors. Accordingly, the Board could prevent any stockholder from obtaining majority representation on the Company's Board by enlarging the size of the Board and filling the new directorships with the Board's own nominees.

REMOVAL OF DIRECTORS. The Certificate and the Bylaws provide that a director may be removed only for cause. "Cause" is defined to exist only if the director has been (x) convicted of a felony, adjudicated to be liable for gross negligence, recklessness or misconduct in the performance of his or her duty to the Company in a manner of substantial importance to the Company or adjudicated to be mentally incompetent, which mental incompetency directly affects his or her ability as a director of the Company and (y) such conviction or adjudication was made by a court of competent jurisdiction and is no longer subject to appeal.

CERTAIN VOTING REQUIREMENTS IN THE CERTIFICATE AND BYLAWS

AMENDMENT OF CERTIFICATE. The affirmative vote of the holders of at least 66 2/3% of the voting power of all outstanding voting shares of the Company is required to alter, amend, adopt any provision inconsistent with, or repeal the provisions of the Certificate of Incorporation relating to the election, removal and classification of directors and amendment of the Bylaws.

AMENDMENTS TO BYLAWS. The Certificate and Bylaws further provide that the Board has the power to make, alter, amend and repeal the Bylaws (except so far as bylaws adopted by the stockholders of the Company otherwise provide). Notwithstanding the foregoing, the Bylaws may not be altered, amended or repealed, and no provision inconsistent therewith may be adopted, by action of the stockholders without the affirmative vote of at least 66 2/3% of the voting power of all the outstanding shares of the Company.

SUPERMAJORITY VOTE FOR CERTAIN TRANSACTIONS. Under Delaware law, and subject to certain exceptions, unless a greater vote is required in the corporation's certificate of incorporation, a merger, consolidation or dissolution of a corporation may be approved by a majority vote of the outstanding stock of the corporation entitled to vote thereon. The Certificate of Incorporation contains provisions that require the approval of holders of at least 80% of the voting power of the then outstanding shares of capital stock of the Company entitled to vote as a condition for any of the following actions: (i) a merger or consolidation, (ii) a share exchange, (iii) the adoption of any plan or proposal for liquidation, dissolution or reorganization and (iv) a sale, lease or other disposition of all or substantially all of the Company's assets (on a consolidated basis). The 80% voting requirement is not applicable if such action is approved by a majority of the Continuing Directors of the Company prior to the transaction. The term "Continuing Director" is defined to mean (i) any member of the Board as of December 31, 1992, (ii) any new director who is proposed to be a director of the Company by a majority of the Continuing Directors then on the Board and (iii) any successor of a Continuing Director who is recommended to succeed a continuing Director by a majority of the Continuing Directors then on the Board. The affirmative vote of the holders of at least 80% of the voting power of all outstanding voting shares of the Company is required to amend, repeal, or adopt any provisions inconsistent with, the provisions of the Certificate of Incorporation described in this paragraph.

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APPROVAL OF CERTAIN TRANSACTIONS BY PREFERRED STOCK DIRECTOR. The Bylaws require the approval of a majority of the entire Board of Directors, which majority must include at least one director elected by a class vote of the holders of Preferred Stock, to take, approve or otherwise ratify the following actions: (i) the issuance of equity securities or options, warrants or other

subscription or purchase rights with respect to equity securities of the Company or any of its subsidiaries, (ii) the declaration of any dividend, (iii) the incurrence, assumption, and/or refinancing of any indebtedness of the Company or any of its subsidiaries, (iv) the adoption of any employee stock option or similar plan, (v) the entering into of an employment or consulting agreement with an aggregate payment exceeding \$100,000 per annum, (vi) (x) any merger or consolidation of the Company or any of its subsidiaries with one or more Persons or (y) the merger or consolidation of one or more persons into or with the Company or any of its subsidiaries, (vii) any sale, conveyance, exchange or transfer to another Person of (x) the voting stock of the Company or any of its subsidiaries or (y) all or substantially all of the assets of the Company or any of its subsidiaries, (viii) outside of the ordinary course of business, (x) any sale, conveyance, exchange, transfer or lease or other disposition to another Person of any material assets, rights or properties of the Company or any of its subsidiaries or (y) any purchase, lease or other acquisition of any material assets, rights or properties of another Person, (ix) subject to exceptions, expenditures by the Company or any of its subsidiaries in excess of \$300,000, (x) the formation of any Company or entity, all of the shares or equity interests of which are not owned by the Company, directly or indirectly, (xi) any material changes in accounting methods or policies of the Company or any of its subsidiaries, (xii) any amendment, modification or restatement of the Restated Certificate of Incorporation and Bylaws of the Company, or the certificate of incorporation of any subsidiary of the Company, (xiii) the settlement of any claim, proceeding, arbitration or other action involving the Company if the Company or any subsidiary thereof would be required to pay an aggregate amount in excess of \$50,000 in connection with such settlement, (xiv) the approval or amendment of the annual operating budget of the Company, (xv) taking any other action which is other than in the ordinary course of business, and (xvi) agreeing to take any of the foregoing actions. For purposes of this paragraph, "Person" means any individual, corporation, partnership, limited liability company, firm, joint venture, association, joint stock company, trust, unincorporated organization, governmental authority or other entity.

PLAN OF DISTRIBUTION

All or part of the Common Stock offered hereby may be sold by the Selling Stockholders from time to time in transactions on the OTC Bulletin Board, in negotiated transactions or otherwise at market prices prevailing at the time of sale or at prices related to such market prices, either directly or through brokers or to dealers, to the extent that such prices are obtainable and satisfactory to the Selling Stockholders. It is anticipated that any commissions with respect to such sales will not exceed regular brokerage commissions. The Selling Stockholders, and brokers executing selling orders on behalf of the Selling Stockholders and dealers to whom the Selling Stockholders may sell, may be deemed "underwriters" within the meaning of the Securities Act. Any profit represented by the excess of the selling price over the cost of the shares sold in the case of dealers, or any commission received in the case of brokers, may be deemed to be underwriting discounts or commissions under the Securities Act.

In connection with the sales of Offered Securities, the Selling Stockholders may enter into hedging transactions with broker-dealers. In connection with such transactions, the broker-dealers may engage in short sales of shares of Common Stock registered hereunder in the course of hedging the positions they assume with the Selling Stockholders. The Selling Stockholders may also sell shares of Common Stock short and redeliver the shares to close out such short positions. The Selling Stockholders may also enter into option or other transactions with broker-dealers which require the delivery to the broker-dealer of the shares of Common Stock registered hereunder, which the broker-dealer may resell or otherwise transfer pursuant to this Prospectus.

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The Company will inform the Selling Stockholders that the anti-manipulation rules under Regulation M under the Exchange Act may apply to their sales in the market and will furnish the Selling Stockholders upon request of a copy of these rules. The Company will also inform the Selling Stockholders of the need for delivery of copies of this Prospectus in connection with the sale of any of the Offered Securities registered hereunder.

The expenses of registration incurred in connection with this offering, estimated at \$50,000, will be paid by the Company, but all selling and other expenses incurred by Selling Stockholders will be borne by such Selling Stockholders.

The Selling Stockholders may sell all or part of the Common Stock offered hereby pursuant to Rule 144 under the Securities Act.

LEGAL MATTERS

The validity of the Common Stock offered hereby has been passed upon for the Company by Butler & Binion, L.L.P., Houston, Texas.

EXPERTS

The consolidated financial statements of the Company as of December 31, 1997 and 1996 and for each of the two years in the period ended December 31,

1997, incorporated in this prospectus by reference from the Company's annual report on Form 10-KSB, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report which is incorporated herein by reference and have been so incorporated in reliance upon the report of such firm given upon the authority of said firm as experts in auditing and accounting.

The financial statements of 1818 Oil Corp. as of December 31, 1997 and 1996 and for each of the two years in the period ended December 31, 1997, incorporated herein by reference to the Company's Report on Form 8-K/A, filed May 29, 1998, have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given upon the authority of said firm as experts in auditing and accounting.

Information incorporated by reference into this prospectus regarding the estimated quantities of oil and gas reserves and the discounted present value of future pre-tax cash flows therefrom is based upon estimates of such reserves and present values prepared by or derived from estimates included in the Company's Annual Report on Form 10-KSB for the year ended December 31, 1997, prepared by Netherland Sewell and Associates, independent petroleum engineers, and incorporated herein by reference. All of such information has been so included herein in reliance upon the authority of such firm as experts in such matters.

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NO PERSON IS AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THIS PROSPECTUS; ANY INFORMATION OR REPRESENTATION NOT CONTAINED HEREIN MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY. THIS PROSPECTUS DOES NOT CONSTITUTE AN VAALCO ENERGY, OFFER TO SELL, AS A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN INC. THOSE TO WHICH IT RELATES OR AN OFFER TO ANY PERSON IN ANY STATE WHERE SUCH OFFER WOULD BE UNLAWFUL. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE FACTS SET FORTH IN THIS PROSPECTUS OR THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF.

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5,745,325 Shares

VAALCO ENERGY,
INC.

COMMON STOCK

P R O S P E C T U S

JULY , 1998

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

All capitalized terms used and not defined in Part II of this Registration Statement shall have the meanings assigned to them in the Prospectus which forms a part of this Registration Statement.

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The estimated expenses payable by VAALCO Energy, Inc. (the "Company") in connection with the issuance and distribution of the Offered Securities to be registered are as follows:

Securities Act registration fee.....	\$ 4,289
Printing costs.....	10,000
Legal fees and expenses.....	25,000
Accounting fees and expenses.....	10,000
Miscellaneous.....	711
Total.....	50,000
	=====

All of the foregoing estimated costs, expenses and fees will be borne by the Company.

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 145 of the General Corporation Law of the State of Delaware, pursuant to which the Company is incorporated, provides generally and in pertinent part that a Delaware corporation may indemnify its directors and officers against expenses, judgments, fines, and settlements actually and reasonably incurred by them in connection with any civil, criminal, administrative, or investigative suit or action except actions by or in the right of the corporation if, in connection with the matters in issue, they acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation, and in connection with any criminal suit or proceeding, if in connection with the matters in issue, they had no reasonable cause to believe their conduct was unlawful. Section 145 further provides that in connection with the defense or settlement of any action by or in the right of the corporation, a Delaware corporation may indemnify its directors and officers against expenses actually and reasonably incurred by them if, in connection with the matters in issue, they acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification may be made in respect of any claim, issue, or matter as to which such person has been adjudged liable to the corporation unless the Delaware Court of Chancery or other court in which such action or suit is brought approves such indemnification. Section 145 further permits a Delaware corporation to grant its directors and officers additional rights of indemnification through bylaw provisions and otherwise, and or purchase indemnity insurance on behalf of its directors and officers. Article Eight of the Restated Certificate of Incorporation of the Company and Article VII the Bylaws of the Company provide, in general, that the Company may indemnify its officers and directors to the full extent of Delaware law.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibit Number and Description.

1. Underwriting Agreement. *
 2. Plan of acquisition, reorganization, arrangement, liquidation or succession.*
- 2-
4. Instruments defining the rights of security holders, including indentures
 - 4.1 -- Restated Certificate of Incorporation
 - 4.2 -- Certificate of Amendment to Restated Certificate of Incorporation
 - 4.3 -- Bylaws
 - 4.4 -- Amendments to Bylaws
 5. Opinion re legality
 - 5.1 Opinion of Butler & Binion, L.L.P.
 8. Opinion re tax matters*
 15. Letter on unaudited interim financial information*
 23. Consents of experts and counsel
 - 23.1 -- Consent of Deloitte & Touche LLP
 - 23.2 -- Consent of PricewaterhouseCoopers L.L.P.
 - 23.3 -- Consent of Butler & Binion, L.L.P. (included in their opinion filed as Exhibit 5.1)
 - 23.4 -- Consent of Netherland Sewell and Associates
 24. Power of attorney
 - 24.1 -- (Included herein on signature page)
 25. Statement of eligibility of trustee*
 26. Invitations for competitive bids*
 27. Financial Data Schedule*
 99. Additional Exhibits
 - 99.1 -- Registration Rights Agreement among the Company and The 1818 Fund II, L.P., dated April 21, 1998 (incorporated by reference to Exhibit 2.3 to the Company's Current Report on Form 8-K, dated April 21, 1998, File No. 000-20928)
 - 99.2 -- Registration Rights Agreement dated April 21, 1998, by and among the Company, Jefferies & Company, Inc. and the inventors listed therein. (incorporated by reference to Exhibit 2.4 to the Company's Current Report on Form 8-K, dated April 21, 1998, File No. 000-20928)
 - 99.3 -- Registration Rights Agreement, dated July 28, 1997, by and among the Company, Jefferies & Company, Inc. and the investors listed therein (incorporated by reference to

- -----
* Inapplicable to this filing

ITEM 17. UNDERTAKINGS

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement to:

(i) Include any prospectus required by section 10(a)(3) of the Securities Act of 1933, as amended;

(ii) Reflect in the prospectus any facts or events which, individually or together, represent a fundamental change in the information in the registration statement; and Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was

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registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement.

(iii) Include any additional or changed material information on the plan of distribution.

Paragraphs (1)(i) and (1)(ii) of this section do not apply if the information required in a post-effective amendment is incorporated by reference from periodic reports filed by the Company under the Securities Exchange Act of 1934.

(2) That for determining liability under the Securities Act of 1933, as amended, treat each such post-effective amendment as a new registration statement of the securities offered and the offering of the securities shall be the initial bona fide offering.

(3) To file a post-effective amendment to remove from registration any of the securities that remain unsold at the end of the offering.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to directors, officers, and controlling persons of the Company pursuant to the foregoing provisions, or otherwise, the Company has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933, as amended, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Company of expenses incurred or paid by a director, officer, or controlling person of the Company in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Company will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933, as amended, and will be governed by the final adjudication of such issue.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the undersigned registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas on the 13th day of July, 1998.

VAALCO ENERGY, INC.

By: /s/ ROBERT L. GERRY III
Robert L. Gerry III
Chairman of the Board and
Chief Executive Officer

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POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Robert L. Gerry III and W. Russell Scheirman, and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him in his name, place and stead, in any and all capacities, to sign any and all amendments (including amendments that register additional securities of the same class to be declared effective in accordance with Rule 462(b) promulgated under the Securities Act of 1933, as amended, and post-effective amendments) to this Registration Statement and any new Registration Statement that registers additional securities in accordance with said Rule 462, and to file the same, with all exhibits hereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or either of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

NAME ----	TITLE -----	DATE ----
/s/ ROBERT L. GERRY III Robert L. Gerry III	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	July 13, 1998
/s/ W. RUSSELL SCHEIRMAN W. Russell Scheirman	President, Chief Financial Officer and Director (Principal Financial and Accounting Officer)	July 13, 1998
/s/ VIRGIL A. WALSTON, JR. Virgil A. Walston, Jr.	Vice Chairman of the Board and Chief Operating Officer	July 13, 1998
/s/ LAWRENCE L. TUCKER Lawrence L. Tucker	Director	July 13, 1998
/s/ T. MICHAEL LONG T. Michael Long	Director	July 13, 1998
/s/ WALTER W. GRIST Walter W. Grist	Director	July 13, 1998
/s/ ARNE R. NIELSON Arne R. Nielson	Director	July 13, 1998

RESTATED CERTIFICATE OF INCORPORATION
OF
VAALCO ENERGY, INC.
(Originally incorporated February 28, 1989
under the name Gladstone Resources Ltd.)

ARTICLE ONE

The name of the corporation is VAALCO Energy, Inc.

ARTICLE TWO

The address of its registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle, Delaware. The name of its registered agent at such address is The Corporation Trust Company.

ARTICLE THREE

The purpose of the corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

ARTICLE FOUR

The aggregate number of shares which the corporation has authority to issue is 50,500,000, of which 50,000,000 shares shall be a class designated as Common Stock with a par value of \$0.10 per share, and 500,000 shares shall be a class designated as Preferred Stock with a par value of \$25.00 per share. The Board of Directors is authorized, subject to limitations prescribed by law and the provisions of this Article Four, to provide for the issuance of shares of Preferred Stock in series, and, by filing a certificate pursuant to the applicable law of the State of Delaware, to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each series and the qualifications, limitations or restrictions thereof.

The authority of the Board with respect to each series shall include, but not be limited to, determination of the following:

(a) The number of shares constituting that series and the distinctive designation of that series;

(b) The dividend rate on the shares of that series, whether dividends shall be cumulative, and if so, from which date or dates, and the relative rights of priority, if any, of payment of dividends on shares of that series;

(c) Whether that series shall have voting rights, in addition to the voting rights provided by law, and the terms of such voting rights;

(d) Whether that series shall have conversion privileges, and, if so, the term and conditions of such conversion, including provision for adjustments of the conversion rate in such events as the Board of Directors shall determine:

(e) Whether or not the shares of that series shall be redeemable, and, if so, the terms and conditions of such redemption, including the date or date upon or after which they shall be redeemable, and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates;

(f) Whether that series shall have a sinking fund for the redemption or purchase of shares of that series, and if so, the terms and amount of such sinking fund;

(g) The rights of the shares of that series in the event of voluntary or involuntary liquidation, dissolution or winding up of the corporation, and the relative rights of priority, if any, of payment of shares of that series;

(h) Any other relative rights, preferences and limitations of that series.

Dividends on outstanding shares of Preferred Stock shall be paid or declared and set apart for payment before any dividends shall be paid or declared and set apart for payment on the common shares with respect to the same dividend period.

If upon any voluntary or involuntary liquidation, dissolution or winding up of the corporation, the assets available for distribution to holders of shares of Preferred Stock of all series shall be insufficient to pay such holders the full preferential amount to which they are entitled, then such assets shall be distributed ratably among the shares of all series of Preferred Stock in

accordance with the respective preferential amounts (including unpaid cumulative dividends, if any) payable with respect thereto.

ARTICLE FIVE

SECTION 1. NO WRITTEN BALLOT. Directors need not be elected by written ballot unless required by the bylaws of the corporation.

SECTION 2. NUMBER, ELECTION AND TERMS OF DIRECTORS. Except as otherwise fixed pursuant to the provisions of Article Four hereof relating to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect additional directors under specified circumstances, the number of directors of the corporation shall be fixed from time to time by or pursuant to the bylaws; provided that such number shall not be less than three nor more than fifteen. The directors, other than those who may be elected by the holders of any class or series of stock having preference over the Common Stock as to dividends or upon liquidation, shall be classified, with respect to the time for which they severally hold office, into three classes, each as nearly equal in number as possible, as shall be provided in the manner specified in the bylaws, one class (Class I) to hold office initially for a term expiring at the annual meeting of stockholders to be held in 1994, another class (Class II) to hold office initially for a term expiring at the annual meeting of stockholders to be held in 1995, and another class (Class III) to hold office initially for a term expiring at the annual meeting of stockholders to be held in 1996, with the members of each class to hold office until successors are elected and qualified. At each annual meeting of the stockholders of the corporation, the successors to the class of directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders to be held in the third year following the year of their elections.

SECTION 3. REMOVAL OF DIRECTORS. Subject to the rights of any class or series of stock having preference over the Common Stock as to dividends or upon liquidation to elect additional directors under specified circumstances, any director may be removed from office only for cause. Except as may otherwise be provided by law, cause for removal shall be construed to exist only if: (a) the director whose removal is proposed has been convicted of a felony by a court of competent jurisdiction and such conviction is no longer subject to direct appeal; (b) such director has been adjudicated by a court of competent jurisdiction to be liable for gross negligence, recklessness or misconduct in the performance of his or her duty to the corporation in a manner of substantial importance to the corporation and such adjudication is no longer subject to direct appeal; or (c) such director has been adjudicated by a court of competent jurisdiction to be mentally incompetent, which mental incompetency directly affects his or her ability as a director of the corporation, and such adjudication is no longer subject to direct appeal. Any action for removal must be brought within three months of the date on which such conviction or adjudication is no longer subject to direct appeal.

SECTION 4. BYLAW AMENDMENTS. The Board of Directors shall have power to make, alter, amend and repeal the bylaws (except so far as the bylaws adopted by the stockholders shall otherwise provide). Any bylaws made by the Board of Directors under the powers conferred hereby may be altered, amended or repealed by the directors or by the stockholders. Notwithstanding the foregoing and anything contained in this Certificate of Incorporation to the contrary, the bylaws shall not be altered, amended or repealed by action of the stockholders and no provision inconsistent therewith shall be adopted by the stockholders without the affirmative vote of the holders of at least 66 2/3% of the voting power of all the shares of the corporation entitled to vote generally in the election of directors, voting together as a single class.

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SECTION 5. AMENDMENT, REPEAL, ETC. Notwithstanding anything contained in this Certification of Incorporation to the contrary, the affirmative vote of the holders of at least 66 2/3% of the voting power of the then outstanding shares of capital stock of the corporation entitled to vote generally in the election of directors ("Voting Stock"), voting together as a single class, shall be required to alter, amend, adopt any provision inconsistent with, or repeal, this Article Five or any provision thereof.

ARTICLE SIX

SECTION 1. VOTE REQUIRED FOR CERTAIN ACTIONS. In addition to any affirmative vote required by law or this Certificate of Incorporation, unless approved by a majority of the Continuing Directors (as hereinafter defined), the affirmative vote of the holders of at least 80% of the Voting Stock, voting together as a single class, shall be required for the approval or authorization of (i) any merger or consolidation of the corporation with or into another corporation, (ii) any share exchange with the corporation, (iii) the adoption of any plan or proposal for the liquidation, dissolution or reorganization of the corporation and (iv) any sale, lease or other disposition of all or substantially all the assets of the corporation (on a consolidated basis). Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage may be specified, by law or in any agreement with any national securities exchange or otherwise.

SECTION 2. CONTINUING DIRECTORS. For purposes of this Article Six, the term "Continuing Directors" shall mean (i) any member of the Board of Directors of the corporation as of December 31, 1992, (ii) any new director who is proposed to be a director of the corporation by a majority of the Continuing Directors then on the Board of Directors of the corporation and (iii) any successor of a Continuing Director who is recommended to succeed a Continuing Director by majority of the Continuing Directors then on the Board of Directors of the corporation.

SECTION 3. AMENDMENT. Notwithstanding any other provision of this Certificate of Incorporation or the bylaws (and notwithstanding the fact that a lesser percentage may be specified by law, this Certificate of Incorporation or the bylaws), the affirmative vote of the holders of 80% or more of the outstanding Voting Stock, voting together as a single class, shall be required to amend or repeal, or adopt any provisions inconsistent with, this Article Six.

ARTICLE SEVEN

The corporation reserves the right to amend or repeal any provision contained in this Certificate of Incorporation in the manner now or hereafter prescribed by statute or by this Certificate of Incorporation. All rights conferred upon stockholders herein are granted subject to this reservation.

ARTICLE EIGHT

No director shall personally be liable to the corporation or the stockholders for monetary damages for any breach of his fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or the stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit. If the Delaware General Corporation Law or other applicable law is amended after approval by the stockholders of this article to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law or such other applicable law, as so amended. Any repeal or modification of this article by the stockholders shall not adversely affect any right or protection of a director existing at the time of such repeal or modification.

IN WITNESS WHEREOF, this Restated Certificate of Incorporation, which (i) restates and integrates and does not further amend the provisions of the Corporation's Certificate of Incorporation, as heretofore amended, and (ii) except in accordance with Section 245 of the General Corporation Laws of the State of Delaware, contains no discrepancy between the Corporation's Certificate of Incorporation, as heretofore

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amended, and the provisions of this Restated Certificate of Incorporation, having been duly adopted by the Board of Directors of the Corporation in accordance with the provisions of Section 245 of the General Corporation Laws of the State of Delaware, has been executed this 15th day of September, 1997 by W. Russell Scheirman, its authorized officer.

/s/ W. RUSSELL SCHEIRMAN
Title: President

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CERTIFICATE OF AMENDMENT OF
THE CERTIFICATE OF INCORPORATION
OF VAALCO ENERGY INC.

VAALCO Energy Inc., a Delaware corporation (the "Corporation"), does hereby certify:

I. That at a meeting of the Board of Directors of the Corporation, resolutions were duly adopted setting forth a proposed amendment to the Certificate of Incorporation of the Corporation, declaring the amendment to be advisable and calling a meeting of stockholders of the Corporation for consideration thereof. The resolution setting forth the proposed amendment is as follows:

"RESOLVED FURTHER, that to increase the authorized shares of the Corporation's Common Stock from 50,000,000 shares to 100,000,000 shares the Certificate of Incorporation of the Corporation shall be amended by deleting the first paragraph of Article Four and substituting thereof the following as the first paragraph of Article Four:

The aggregate number of shares which the Corporation has authority to issue is 100,500,000 of which 100,000,000 shares shall be a class designated as Common Stock with a par value of \$.10 per share, and 500,000 shares shall be a class designated as Preferred Stock with a par value of \$25.00 per share. The Board of Directors is authorized, subject to limitations prescribed by law and the provisions of this Article Four, to provide for the issuance of shares of Preferred Stock in series, and, by filing a certificate pursuant to the applicable law of the State of Delaware, to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each series and the qualifications, limitations or restrictions thereof."

II. That pursuant to resolutions of its Board of Directors, a meeting of the stockholders of said Corporation was duly called and held on June 24, 1998, upon notice and in accordance with Section 222 of the General Corporation Law of the State of Delaware at which meeting the necessary number of shares as required by statute were voted in favor of the amendment.

III. That said amendment was duly adopted and in accordance with provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, VAALCO Energy Inc. has caused this Certificate to be signed by W. Russell Scheirman, an authorized officer, this 24th day of June, 1998.

VAALCO Energy, Inc.
/s/ W. RUSSELL SCHEIRMAN
W. Russell Scheirman, President, Chief
Financial Officer and Director

VAALCO ENERGY INC.
BYLAWS
ARTICLE I
OFFICES

Section 1. The registered office shall be in the City of Wilmington, County of Newcastle, State of Delaware.

Section 2. The corporation may also have offices at such other places both within and without the State of Delaware as the board of directors may from time to time determine or the business of the corporation may require.

ARTICLE II
MEETINGS OF STOCKHOLDERS

Section 1. All meetings of the stockholders shall be held at such place either within or without the State of Delaware as shall be designated from time to time by the board of directors and stated in the notice of the meeting.

Section 2. The annual meeting of the shareholders of the corporation, for the election of directors and the transaction of such other business as may properly come before the meeting, shall be held at such time and date as shall be designated by the board of directors from time to time and stated in the notice of the meeting. Such annual meeting shall be called in the same manner as provided in these bylaws for special meetings of the shareholders, except that for the purposes of such meeting need be enumerated in the notice and proxies of such meeting only to the extent required by law in the case of annual meetings.

Section 3. Written notice of the annual meeting stating the place, date and hour of the meeting shall be given to each stockholder entitled to vote at such meeting not less than 10 nor more than 60 days before the date of the meeting.

Section 4. The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 3. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the certificate of incorporation, may be called by the president and shall be called by the president or secretary at the request of a majority of the board of directors, or at the request in writing of stockholders owning a majority in amount of the entire capital stock of the corporation issued and outstanding and entitled to vote. Such request shall state the purpose or purposes of the proposed meeting.

Section 6. Written notice of a special meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called, shall be given not less than ten nor more than 60 days before the date of the meeting, to each stockholder entitled to vote at such meeting.

Section 7. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Section 8. The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the certificate of incorporation. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented any business may be transacted which might have been transacted at the meeting as originally notified. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 9. When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting,

unless the question is one upon which by express provision of the statutes of Delaware or of the certificate of incorporation a different vote is required, in which case such express provision shall govern and control the decision of such question.

Section 10. Unless otherwise provided in the certificate of incorporation each stockholder shall at every meeting of the stockholders be entitled to one vote in person or by proxy for each share of the capital stock having voting power held by such stockholder, but no proxy shall be voted after three years from its date unless the proxy provides for a longer period.

Section 11. Unless otherwise provided in the certificate of incorporation any action required to be taken at any annual or special meeting of stockholders of the corporation, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

ARTICLE III DIRECTORS

Section 1. There shall at all times be at least one director of the corporation. The number of directors shall from time to time be fixed and determined by the directors and shall be set forth in the notice of any meeting of stockholders held for the purpose of electing directors.

Section 2. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and the directors so chosen shall hold office until the next annual election and until their successors are duly elected and shall qualify, unless sooner displaced. If there are no directors in office, then an election of directors may be held in the manner provided by statute. Any director may be removed either for or without cause at any special meeting of the stockholders duly called and held for such purpose.

Section 3. The business of the corporation shall be managed by its board of directors which may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the certificate of incorporation or by these bylaws directed or required to be exercised or done by the stockholders.

Section 4. The board of directors of the corporation may hold meetings, both regular and special, either within or without the State of Delaware.

Section 5. The first meeting of each newly elected board of directors shall be held at the place of, and immediately following, the annual meeting of the stockholders and no notice of such meeting shall be necessary to the newly elected directors in order legally to constitute the meeting, provided a quorum shall be present. In the event such meeting is not held at such time and place, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the board of directors, or as shall be specified in a written waiver signed by all of the directors.

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Section 6. Regular meetings of the board of directors may be held without notice at such time and at such place as shall from time to time be determined by the board.

Section 7. Special meetings of the board may be called by the chairman or vice chairman on 48 hours' notice to each director, either personally or by mail or by telegram. Special meetings shall be called by the president or secretary in like manner and on like notice on the written request of two directors. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the sole purpose of objecting to the transaction of any business because the meeting is not lawfully called convened. Neither the business to be transacted at, nor the purpose of, any special meeting of the board of directors need be specified in the notice or waiver of notice of such meeting, except that notice shall be given of any proposed amendment to these bylaws if it is to be adopted at any special meeting or with respect to any other matter where notice is required by statute.

Section 8. At all meetings of the board a majority of the directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board of directors, except as may be otherwise specifically provided by statute or by the certificate of incorporation. If a quorum shall not be present at any meeting of the board of directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 9. Any action required or permitted to be taken at any meeting of the board of directors or of any committee thereof may be taken without a meeting, if all members of the board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the board or committee.

Section 10. Members of the board of directors, or any committee designated by the board of directors, may participate in a meeting of the board of directors, or any committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

Section 11. The board of directors may, by resolution passed by a majority of the whole board, designate one or more committees, each committee to consist of one or more of the directors of the corporation. The board may designate one or more directors as alternate members of any committee, who may replace any absent or qualified member at any meeting of the committee. Any such committee, to the extent provided in the resolution of the board of directors, shall have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the certificate of incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all property and assets of the corporation, recommending to the stockholders a dissolution of the corporation or a revocation of a dissolution, or amending the bylaws of the corporation; and, unless the resolution or the certificate of incorporation expressly so provide, no committee shall have the power or authority to declare a dividend or to authorize the issuance of stock. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the board of directors.

Section 12. Each committee shall keep regular minutes of its meetings and report the same to the board of directors when required.

Section 13 The board of directors shall have the authority to fix the compensation of directors. The directors may be paid their expenses, if any, of attendance at each meeting of the board of directors and may be paid a fixed sum for attendance at each meeting of the board of directors or a stated salary as director. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

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Section 14. The board of director's may appoint such advisory directors as if may deem appropriate, each of whom will hold office until the next annual meeting of the directors following their election. The advisory directors shall have the right to attend meetings of the board of directors and to advise the board concerning the affairs of the corporation, but shall not have the right to vote.

ARTICLE IV NOTICES

Section 1. Whenever, under the provisions of the statutes of Delaware or of the certificate of incorporation or of these bylaws, or otherwise, notice is required to be given to any director or stockholder, it shall not be construed to mean personal notice, but such notice may be given in writing, by mail, addressed to such director or stockholder, at his address as it appears on the records of the corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Notice to directors may also be given personally or by telegram.

Section 2. Whenever any notice is required to be given under the provisions of the statutes or of the certificate of incorporation or of these bylaws, or otherwise, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE V OFFICERS

Section 1. The officers of the corporation shall be chose by the board of directors and shall be a chairman and chief executive officer, a vice chairman and chief operating officer, president, one or more vice presidents (an one or more of whom may be designated executive vice president or senior vice president), a chief financial officer and a secretary. Any number of offices may be held by the same person. Such officers shall be chosen by the board of directors at its first meeting after each annual meeting of stockholders.

Section 2. The board of directors may from time to time appoint such other officers and agents as it shall deem necessary, who shall hold their offices for

such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the board.

Section 3. The salaries of all officers and agents of the corporation shall be fixed by the board of directors or pursuant to its direction.

Section 4. The officers of the corporation shall hold office until their successors are chosen and qualify. Any officer elected or appointed by the board of directors may be removed at any time by the affirmative vote of a majority of the board of directors. Any vacancy occurring in any office of the corporation shall be filled by the board of directors.

Section 5. Any officer may resign at any time by giving written notice to the board of directors or to the vice chairman and chief operating officer, president or secretary. Such resignation shall take effect at the time specified in the notice, and, unless otherwise specified in the notice, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. The chairman and chief executive officer shall preside at all meetings of the board of directors and he shall have and perform such other duties as from time to time may be assigned to him by the board of directors. He shall be the chief executive officer of the corporation.

Section 7. The vice chairman and chief operating officer shall perform the duties of the chairman and chief executive officer in his absence or during any disability or refusal to act, shall be the chief operating officer of the corporation, shall preside at all meetings of the stockholders, shall have general powers and duties of supervision and active management of the business of the corporation and shall see that all orders and resolutions of the board of directors are carried into effect. He shall execute bonds, mortgages and other contracts requiring a seal, under the seal of the corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the board of directors to some other officer or agent of the corporation. He shall have and

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perform such other duties and powers as may from time to time be assigned to him by the board of directors.

Section 8. The president shall perform the duties of vice chairman and chief operating officer in the event of his absence, disability or refusal to act and shall perform such other duties as may be assigned to him by the board of directors.

Section 9. In the absence of the president or in the event of his inability or refusal to act, any vice president may perform the duties of the president, and when so acting, shall have all the powers of and be subject to all the restrictions upon the president. A vice president shall perform such other duties and have such other powers as the board of directors may from time to time prescribe.

Section 10. The secretary shall attend all meetings of the board of directors and all meetings of the stockholders and record all the proceedings of the meetings of the corporation and of the board of directors in a book to be kept for that purpose and shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the board of directors, and shall perform such other duties as may be prescribed by the board of directors, chief executive officer or chief operating officer. He shall have custody of the corporate seal of the corporation and he, or an assistant secretary, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by his signature or by the signature of such assistant secretary. The board of directors may give general authority to any other officer to affix the seal of the corporation and to attest the affixing by his signature.

Section 11. Any assistant secretary may, in the absence of the secretary or in the event of his inability or refusal to act, perform the duties and exercise the powers of the secretary and shall perform such other duties and have such other powers as the board of directors may from time to time prescribe.

Section 12. The chief financial officer shall have the broadest possible powers with respect to the borrowing, investing and disbursing of corporate funds, the retention of accountants and auditors, and the giving of security for corporate debt; he shall have the custody of and responsibility for the corporate funds and securities; shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation; shall deposit all moneys and other valuable effects in the name and to the credit of the corporation in such depositories as he may prudently select; and, in general, shall perform all of the financial, insurance, data processing and other related work of the corporation. He shall disburse the funds of the corporation as may be ordered by the board of directors, or the chief operating officer, taking proper vouchers for such disbursements, and shall render to the chief operating

officer and the board of directors, at its regular meetings, or when the board of directors so requires, an account of all his transactions as treasurer and of the financial condition of the corporation. He may on behalf of the corporation sign notes, bonds, credit agreements, mortgages, security agreements, assignments and other security devices and may in general exercise broad powers over the property of the corporation in connection with any borrowing. If required by the board of directors, he shall give the corporation a bond in such sum and with such sureties as shall be satisfactory to the board of directors for the faithful performance of the duties of his office and for the restoration to the corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the corporation.

Section 13. Any assistant treasurer may, in the absence of the treasurer or in the event of his inability or refusal to act, perform the duties and exercise the powers of the treasurer and shall perform such other duties and have such other powers as the board of directors may from time to time prescribe.

ARTICLE VI CERTIFICATES OF STOCK

Section 1. Every holder of stock in the corporation shall be entitled to have a certificate, signed by the president or a vice president, and the secretary or an assistant secretary, of the corporation, certifying the number of shares owned by him in the corporation. If the corporation shall be authorized to issue more than

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one class of stock or more than one series of any class, the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualification, limitations or restrictions of such preferences or rights shall be set forth in full or summarized on the face or back of the certificate which the corporation shall issue to represent such class or series of stock; provided that, except as otherwise provided in Section 202 of the General Corporation Law of Delaware, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate which the corporation shall issue to represent such class or series of stock, a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences or rights.

Section 2. Any of or all the signatures on any stock certificate issued by the corporation may be facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he or it were such officer, transfer agent or registrar at the date of issue.

Section 3. The board of directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the board of directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 4. Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

Section 5. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution of allotment of any rights, or entitled to exercise any rights in respect of any changes, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors may fix, in advance, a record date, which shall not be more than 60 nor less than ten days before the date of such meeting, nor more than 60 days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided however, that the board of directors may fix a new record date for the adjourned meeting.

Section 6. The corporation shall be entitled to treat the registered owner of any share or shares of stock as the absolute owner thereof for all purposes and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE VII
INDEMNIFICATION AND INSURANCE

Section 1. The corporation shall indemnify any person who was or is a party or who was or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation), by reason of the fact that he is or was a director, advisory director, officer, employee or agent of the corporation or of any entity a majority of the voting stock of which is owned by the corporation, or is or was serving at the request of the corporation as a director, advisory director, officer, employee or agent of

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another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

Section 2. The corporation shall indemnify any person who was or is a party or who was or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, advisory director, officer, employee or agent of the corporation or of any entity a majority of the voting stock of which is owned by the corporation, or is or was serving at the request of the corporation as a director, advisory director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all of the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery of the State of Delaware or such other court shall deem proper.

Section 3. To the extent that any person who is or was a director, advisory director, officer, employee or agent of the corporation or of any entity a majority of the voting stock of which is owned by the corporation, or who is or was serving at the request of the corporation as a director, advisory director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections 1 and 2 of this Article VII, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith. Any other indemnification under Sections 1 and 2 of this Article VII shall be made by the corporation only as authorized in the specific case upon a determination that indemnification is proper in the circumstances because the applicable standard of conduct set forth therein has been met. Such determination shall be made (a) by the board of directors of the corporation by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (b) if such quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (c) by the stockholders of the corporation.

Section 4. Expenses incurred in defending a civil or criminal action, suit or proceeding shall be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the director, advisory director, officer, employee or agent to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the corporation pursuant to this Article VII.

Section 5. The indemnification and advancement of expenses provided by, or granted pursuant to, the other Sections of this Article VII shall not be deemed

exclusive of any other right to which those seeking indemnification or advancement of expenses may be entitled to from the corporation or any other entity under any statute, other bylaw, agreement, provision of the corporation's certificate of incorporation, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office. The indemnification and advancement of expenses

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provided by, or granted pursuant to, this Article VII and shall continue as to a person who has ceased to be a director, advisory director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person. However, any amount actually received as the proceeds of any such other indemnification shall be deducted from the amount, if any, which he may be entitled to receive pursuant to this Article VII.

Section 6. By action of its board of directors, notwithstanding any interest of the directors in the action, to the full extent permitted by the General Corporation Law of the State of Delaware, the corporation may purchase and maintain insurance, in such amounts and against such risks as the board of directors deems appropriate, on behalf of any person who is or was a director, advisory director, officer, employee or agent of the corporation, or of any entity a majority of the voting stock of which is owned by the corporation, or who is or was serving at the request of the corporation as a director, advisory director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power or would be required to indemnify him against such liability under the provisions of this Article VII, or of the corporation's certificate of incorporation or of the General Corporation Law of the State of Delaware.

ARTICLE VIII GENERAL PROVISIONS

Section 1. Dividends upon the capital stock of the corporation, subject to the provisions of the certificate of incorporation, if any, may be declared by the board of directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property or in shares of the capital stock, subject to the provisions of the certificate of incorporation.

Section 2. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the directors shall think conducive to the interest of the corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

Section 3. All checks, notes and contracts of the corporation shall be signed by such officer or officers or such other person or persons as the board of directors may from time to time designate.

Section 4. The fiscal year of the corporation shall be fixed by resolution of the board of directors.

Section 5. The corporate seal shall have inscribed thereon the name of the corporation, the year of its organization and the words "Corporate Seal, Delaware". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

Section 6. Any payments made to an officer of the corporation such as a salary, commission, bonus, interest, or rent, or entertainment expenses incurred by him, which shall be disallowed in whole or in part as a deductible expense by the Internal Revenue Service, shall be reimbursed by such officer to the corporation to the full extent of such disallowance. It shall be the duty of the directors, as a board, to enforce payment of each such amount disallowed.

ARTICLE IX AMENDMENTS

Section 1. These bylaws may be altered, amended or repealed or new bylaws may be adopted by the board of directors at any regular meeting of the board of directors or at any special meeting of the board of directors if notice of such alteration, amendment, repeal or adoption of new bylaws is contained in the notice of such special meeting.

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VAALCO ENERGY, INC.

AMENDMENTS TO BYLAWS, ADOPTED JANUARY 8, 1993

Article III, Section 1 of the Bylaws of the Company is amended to read in its entirety as follows:

"Section 1. Except as otherwise fixed pursuant to the provisions of Article Four of the certificate of incorporation relating to the rights of the holders of any class or series of stock having a preference over the common stock as to dividends or upon liquidation to elect additional directors under specified circumstances, the number of directors of the corporation shall be fixed from time to time by the directors and shall be set forth in the notice of any meeting of stockholders held for the purpose of electing directors; provided that such number shall not be less than three nor more than fifteen."

Article III, Section 2 of the Bylaws of the Company is amended to read in its entirety as follows:

"Section 2. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director. Any directors so chosen shall hold office for a term expiring at the annual meeting of stockholders at which the term of the class to which they have been elected expires and until their successors are duly elected and shall qualify, unless sooner displaced. If there are no directors in office, then an election of directors may be held in the manner provided by statute. Subject to the rights of any class or series of stock having preference over the common stock as to dividends or upon liquidation to elect additional directors under specified circumstances, any director may be removed from office only for cause. Except as may otherwise be provided by law, cause for removal shall be construed to exist only if: (a) the director whose removal is proposed has been convicted of a felony by a court of competent jurisdiction and such conviction is no longer subject to direct appeal; (b) such director has been adjudicated by a court of competent jurisdiction to be liable for gross negligence, recklessness or misconduct in the performance of his or her duty to the corporation in a manner of substantial importance to the corporation and such adjudication is no longer subject to direct appeal; or (c) such director has been adjudicated by a court of competent jurisdiction to be mentally incompetent, which mental incompetency directly affects his or her ability as a director of the corporation, and such adjudication is no longer subject to direct appeal. Any action for removal must be brought within three months of the date on which such conviction or adjudication is no longer subject to direct appeal."

The first sentence of Article III, Section 5 of the Bylaws of the Company is deleted and replaced in its entirety by the following:

"A meeting of the board of directors shall be held at the place of, and immediately following, the annual meeting of stockholders and no notice of such meeting shall be necessary to any newly elected directors to legally constitute the meeting, provided a quorum shall be present."

A typographical error in the second sentence of Article VII, Section 5 of the Bylaws of the Company is corrected so that such sentence reads as follows:

"The indemnification and advancement of expenses provided by, or granted pursuant to, this Article Vii shall continue as to a person who has ceased to be a director, advisory director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person."

Article VII, Section 4 of the Bylaws of the Company is amended to read in its entirety as follows:

"Section 4. Expenses, including attorneys' fees, incurred by a director, advisory, director, officer, employee or agent in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the director, advisory director, officer, employee or agent to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the corporation pursuant to this Article VII."

Article IX, Section 1 of the Bylaws of the Company is amended to read in its entirety as follows:

"Section 1. The board of directors shall have power to make, alter, amend and repeal the bylaws (except so far as the bylaws adopted by the

stockholders shall otherwise provide). Any bylaws made by the board of directors under the powers conferred hereby may be altered, amended or repealed by the directors or by the stockholder. Notwithstanding the foregoing and anything contained in the certificate of incorporation to the contrary, the bylaws shall not be altered, amended or repealed by action of the stockholders and no provision inconsistent therewith shall be adopted by the stockholders without the affirmative vote of the holders of at least 66 2/3% of the voting power of all the shares of the corporation entitled to vote generally in the election of directors, voting together as a single class."

AMENDMENT TO BYLAWS, ADOPTED FEBRUARY 9, 1998

Article III, Section 15 of the Bylaws of the Company is amended to read in its entirety as follows:

"SECTION 15. Notwithstanding anything to the contrary contained herein, the board of directors shall not take, approve or otherwise ratify any of the following actions without the consent of at least a majority of the directors constituting the entire board of directors, which majority shall include at least one director elected by a class vote of the holders of shares of Convertible Preferred Stock, Series A, par value \$25.00 per share (the "Preferred Stock"), of the corporation:

(i) other than equity securities of the corporation that may be issued to employees, consultants or directors of the corporation pursuant to a stock option plan or other employee benefit arrangement approved by the board of directors (in accordance with this Section) or upon conversion of the Preferred Stock, any issuance of or agreement to issue any equity securities of the corporation or any subsidiary thereof, or rights of any kind convertible into or exchangeable for any equity securities of capital stock of the corporation or any subsidiary thereof, or any option, warrant or other subscription or purchase right with respect to equity securities of the corporation or any subsidiary thereof;

(ii) the declaration of any dividend;

(iii) incur, assume, and/or refinance any indebtedness for borrowed money (including letter of credit reimbursement obligations) of the corporation or any of its subsidiaries;

(iv) adopt any employee stock option or similar plan;

(v) enter into any employment or consulting agreements or arrangements with an aggregate payment amount exceeding \$100,000 per annum;

(vi) (x) any transaction of merger or consolidation of the corporation or any subsidiary thereof with one or more Persons or (y) any transaction of merger or consolidation of one or more Persons into or with the corporation or any subsidiary thereof;

(vii) any sale, conveyance, exchange or transfer to another Person of (x) the voting stock of the corporation or any subsidiary thereof or (y) all or substantially all of the assets of the corporation or any subsidiary thereof;

(viii) outside of the ordinary course of business, (x) any sale, conveyance, exchange, transfer or lease or other disposition to another Person of any material assets, rights or properties of the corporation or any subsidiary thereof or (y) any purchase, lease or other acquisition of any material assets, rights or properties of another Person;

(ix) any expenditure by the corporation or any subsidiary thereof in excess of \$300,000, except if (a) such expenditure has been explicitly identified and explicitly approved by the board of directors of the corporation in the annual operating budget of the corporation or otherwise, (b) such expenditure is a payment of the corporation or any subsidiary thereof as a result of the receipt by the corporation or any subsidiary thereof of an "Authorization for Expense" delivered to the corporation or any subsidiary thereof by the operator of a joint venture in which the corporation is a participant and the budget for such joint venture was approved by the board of directors of the corporation or (c) in the case of an emergency, an officer of the corporation believes, in his best judgment, that such expenditure is required as a necessary and proper measure for the protection of life, health, the environment and property and such officer immediately notifies the board of directors of the corporation of the details of such emergency and the measures taken in connection therewith;

(x) form any corporation or entity, all of the shares or equity interests of which are not owned by the corporation, directly or indirectly;

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(xi) any material changes in accounting methods or policies of the corporation or any subsidiary thereof;

(xii) any amendment, modification or restatement of the Restated Certificate of Incorporation and By-laws of the corporation, or the certificate of incorporation of any subsidiary of the corporation (including, without limitation, a change in the number of directors which constitute the corporation's board of directors) and any amendment or modification of this Section 15;

(xiii) settle any claim, proceeding, arbitration or other action involving the corporation if the corporation or any subsidiary thereof would be required to pay an aggregate amount in excess of \$50,000 in connection with such settlement;

(xiv) approve or amend the annual operating budget of the corporation;

(xv) take any other action which is other than in the ordinary course of its business; and

(xvi) agree to take any of the foregoing actions.

For the purposes of this Section 15, "Person" shall mean any individual, corporation, partnership, limited liability company, firm, joint venture, association, joint stock company, trust, unincorporated organization, governmental authority or other entity."

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OPINION OF BUTLER & BINION, L.L.P.

July 14, 1998

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

RE: REGISTRATION STATEMENT ON FORM S-3

Ladies and Gentlemen:

We have examined the Registration Statement on Form S-3 to be filed by you with the Securities and Exchange Commission on or about July 14, 1998 (the "Registration Statement") in connection with the registration under the Securities Act of 1933, as amended, of a total of 5,745,325 shares of your Common Stock (the "Shares"), to be offered for sale by the Selling Stockholders named therein. We understand that the shares are to be sold by the Selling Stockholders to the public as described in the Registration Statement. As legal counsel for VAALCO Energy, Inc., we have examined the proceedings taken, and are familiar with the proceedings proposed to be taken, by you in connection with the sale and issuance of the Shares.

It is our opinion that, upon completion of the proceedings being taken or contemplated by us, as your counsel, to be taken prior to the issuance of the Shares and assuming the conversion of certain warrants in accordance with their terms, the Shares, when sold in the manner described in the Registration Statement and in accordance with the resolutions adopted by the Board of Directors of the Company, will be legally and validly issued, fully paid and nonassessable.

We consent to the use of this opinion as an exhibit to the Registration Statement, including the prospectus constituting a part thereof, and further consent to the use of our name wherever it appears in the Registration Statement and any amendments thereto.

Very truly yours,

/s/ Butler & Binion, L.L.P.

BUTLER & BINION, L.L.P.

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this Registration Statement of VAALCO Energy, Inc. on Form S-3 of our report dated March 26, 1998, appearing in the Annual Report on Form 10-KSB of VAALCO Energy, Inc. for the year ended December 31, 1997 and to the reference to us under the heading "Experts" in the Prospectus, which is part of this Registration Statement.

/s/ Deloitte & Touche LLP

DELOITTE & TOUCHE LLP
Houston, Texas

July 13, 1998

CONSENT OF INDEPENDANT ACCOUNTANTS

We consent to the incorporation by reference in this registration statement on Form S-3 of our report dated February 27, 1998, on our audits of the financial statements on 1818 Oil Corp. included in Form 8-K/A filed on May 29, 1998. We also consent to the reference to our firm under the caption "Experts."

/s/ PricewaterhouseCoopers LLP

PRICEWATERHOUSECOOPERS LLP

New York, New York
July 10, 1998

[NETHERLAND, SEWELL & ASSOCIATES, INC. LETTERHEAD]

CONSENT OF NETHERLAND, SEWELL & ASSOCIATES, INC.

We hereby consent to the incorporation by reference in this Registration Statement on Form S-3 and related prospectus of our reports dated March 27, 1997, and March 24, 1998, that were utilized as a basis for VAALCO Energy, Inc.'s Form 10-KSB for the periods ended December 31, 1996 and 1997, and to all references to our Firm included in this Registration Statement.

NETHERLAND, SEWELL & ASSOCIATES, INC.

By: /s/ DANNY D. SIMMONS
Danny D. Simmons
Senior Vice President

Houston, Texas
July 14, 1998