# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# FORM 10-Q

**(Mark One)**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended September 30, 2015**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from _____ to _____**

**Commission file number 1-32167**

# VAALCO Energy, Inc.
**(Exact name of registrant as specified in its charter)**

| **Delaware** | **76-0274813** |
|---|---|
| **(State or other jurisdiction of Incorporation or organization)** | **(I.R.S. Employer Identification No.)** |
| **9800 Richmond Avenue Suite 700 Houston, Texas** | **77042** |
| **(Address of principal executive offices)** | **(Zip code)** |

**(713) 623-0801**
**(Registrant's telephone number, including area code)**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☒ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes ☐ No ☒.

As of October 30, 2015, there were outstanding 58,403,943 shares of common stock, $0.10 par value per share, of the registrant.

**VAA LCO ENERGY, INC. AND SUBSIDIARIES**

**Table of Contents**



Unless the context otherwise indicates, references to "VAALCO," "we," "our," or "us" in this Form 10-Q are references to VAALCO Energy, Inc. including its wholly-owned subsidiaries.

**PART I. FINANCIAL INFORMATION**

**VAA LCO ENERGY, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED BALANCE SHEETS**
**(Unaudited)**
*(in thousands, except number of shares and par value amounts)*

| | September 30, 2015 | December 31, 2014 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | **$ 40,701** | $ 69,051 |
| Restricted cash | **1,072** | 1,584 |
| Receivables: | | |
| Trade | **6,984** | 19,527 |
| Accounts with partners, net of allowance of $7.6 million at September 30, 2015 and December 31, 2014 | **17,930** | 10,903 |
| Other, net of allowance of $2.4 million at December 31, 2014 | **569** | 3,285 |
| Crude oil inventory | **957** | 1,905 |
| Materials and supplies | **232** | 286 |
| Prepayments and other | **5,285** | 6,509 |
| Total current assets | **73,730** | 113,050 |
| Property and equipment - successful efforts method: | | |
| Wells, platforms and other production facilities | **399,485** | 338,641 |
| Undeveloped acreage | **18,787** | 22,133 |
| Work in progress | **2,099** | 25,157 |
| Equipment and other | **15,279** | 11,907 |
| | **435,650** | 397,838 |
| Accumulated depreciation, depletion and amortization | **(340,321)** | (289,714) |
| Net property and equipment | **95,329** | 108,124 |
| Other noncurrent assets: | | |
| Restricted cash | **15,830** | 20,830 |
| Value added tax receivable, net of allowance of $5.1 million at September 30, 2015 | **3,818** | - |
| Deferred tax asset | **1,349** | 1,349 |
| Deferred finance charge | **1,486** | 1,959 |
| Abandonment funding | **3,537** | 3,537 |
| Total assets | **$ 195,079** | $ 248,849 |
| **LIABILITIES AND EQUITY** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | **$ 57,790** | $ 38,540 |
| Total current liabilities | **57,790** | 38,540 |
| Asset retirement obligations | **16,198** | 14,846 |
| Long term debt | **15,000** | 15,000 |
| Total liabilities | **88,988** | 68,386 |
| Commitments and contingencies (Note 11) | | |
| VAALCO Energy Inc. shareholders' equity: | | |
| Preferred stock, none issued, 500,000 shares authorized, $25 par value | **-** | - |
| Common stock, 65,918,112 and 65,194,828 shares issued, $0.10 par value, 100,000,000 shares authorized | **6,592** | 6,519 |
| Additional paid-in capital | **68,355** | 64,351 |
| Less treasury stock, 7,508,699 and 7,393,714 shares at cost | **(37,871)** | (37,299) |
| Retained earnings | **69,015** | 146,892 |
| Total equity | **106,091** | 180,463 |
| Total liabilities and equity | **$ 195,079** | $ 248,849 |

*See notes to condensed consolidated financial statements.*

**VA ALCO ENERGY, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**
**(Unaudited)**
*(in thousands, except per share amounts)*

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| Revenues: | | | | |
| Oil and gas sales | **$ 17,546** | $ 24,486 | **$ 62,922** | $ 104,659 |
| Operating costs and expenses: | | | | |
| Production expense | **7,859** | 7,145 | **26,637** | 21,643 |
| Exploration expense | **9,007** | 598 | **37,579** | 15,213 |
| Depreciation, depletion and amortization | **8,259** | 4,289 | **23,493** | 15,444 |
| General and administrative expense | **3,804** | 3,967 | **11,506** | 10,689 |
| Other costs and expenses | **2,750** | 1,800 | **3,326** | 1,800 |
| Impairment of proved properties | **17,988** | - | **29,208** | - |
| Total operating costs and expenses | **49,667** | 17,799 | **131,749** | 64,789 |
| Other operating income, net | **-** | - | **398** | - |
| Operating income (loss) | **(32,121)** | 6,687 | **(68,429)** | 39,870 |
| Other income (expense): | | | | |
| Interest income | **3** | 19 | **12** | 65 |
| Interest expense | **(465)** | - | **(1,119)** | - |
| Other, net | **1,622** | 164 | **2,004** | (250) |
| Total other income (expense) | **1,160** | 183 | **897** | (185) |
| Income (loss) before income taxes | **(30,961)** | 6,870 | **(67,532)** | 39,685 |
| Income tax expense | **2,707** | 3,761 | **10,345** | 18,897 |
| Net income (loss) | **$ (33,668)** | $ 3,109 | **$ (77,877)** | $ 20,788 |
| | | | | |
| Basic net income (loss) per share | **$ (0.58)** | $ 0.05 | **$ (1.34)** | $ 0.36 |
| Diluted net income (loss) per share | **$ (0.58)** | $ 0.05 | **$ (1.34)** | $ 0.36 |
| | | | | |
| Basic weighted average shares outstanding | **58,392** | 57,304 | **58,227** | 57,040 |
| Diluted weighted average shares outstanding | **58,392** | 57,868 | **58,227** | 57,575 |

*See notes to condensed consolidated financial statements.*

**VAA LCO ENERGY, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**(Unaudited)**
*(in thousands)*

| | Preferred Shares | Common Shares | Treasury Shares | Common Stock | Additional Paid-In Capital | Treasury Stock | Retained Earnings | Total |
|---|---|---|---|---|---|---|---|---|
| Balance at January 1, 2015 | - | 65,195 | (7,394) | $ 6,519 | $ 64,351 | $ (37,299) | $ 146,892 | $ 180,463 |
| Stock issuance | - | 447 | - | 45 | 1,022 | - | - | 1,067 |
| Stock-based compensation | - | 276 | - | 28 | 2,982 | - | - | 3,010 |
| Treasury stock acquired | - | - | (115) | - | - | (572) | - | (572) |
| Net loss | - | - | - | - | - | - | (77,877) | (77,877) |
| Balance at September 30, 2015 | - | 65,918 | (7,509) | $ 6,592 | $ 68,355 | $ (37,871) | $ 69,015 | $ 106,091 |

*See notes to condensed consolidated financial statements.*

**VA ALCO ENERGY, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(Unaudited)**
*(in thousands)*

| | Nine Months Ended September 30, | |
|---|---|---|
| | **2015** | **2014** |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income (loss) | **$ (77,877)** | $ 20,788 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation, depletion and amortization | **23,493** | 15,444 |
| Amortization of debt issuance cost | **473** | 97 |
| Unrealized foreign exchange (gain) loss | **(105)** | 22 |
| Dry hole costs and impairment loss on unproved leasehold | **36,848** | 13,273 |
| Stock-based compensation | **3,024** | 2,698 |
| Bad debt provision | **2,750** | 1,800 |
| Gains on disposal of oil and gas properties | **(398)** | - |
| Impairment loss | **29,208** | - |
| Change in operating assets and liabilities: | | |
| Trade receivables | **12,543** | 10,945 |
| Accounts with partners | **(7,027)** | (500) |
| Other receivables | **(3,242)** | (2,315) |
| Crude oil inventory | **948** | (1,308) |
| Materials and supplies | **54** | (1,501) |
| Prepayments and other | **1,297** | (3,547) |
| Accounts payable and other liabilities | **15,530** | (1,142) |
| Net cash provided by operating activities | **37,519** | 54,754 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Decrease in restricted cash | **5,512** | 65 |
| Property and equipment expenditures | **(72,231)** | (68,104) |
| Proceeds from sales of oil and gas properties | **398** | - |
| Net cash used in investing activities | **(66,321)** | (68,039) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from the issuances of common stock | **452** | 5,076 |
| Debt issuance costs | **-** | (1,954) |
| Borrowings | **-** | 15,000 |
| Purchases of treasury stock | **-** | (1,868) |
| Net cash provided by financing activities | **452** | 16,254 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | **(28,350)** | 2,969 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | **69,051** | 130,529 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | **$ 40,701** | $ 133,498 |
| | | |
| Supplemental disclosure of cash flow information: | | |
| Interest paid, net of capitalized interest | **$ 1,119** | $ - |
| Taxes paid | **$ 12,175** | $ 21,484 |
| Supplemental disclosure of non-cash investing and financing activities: | | |
| Property and equipment additions incurred during the period but not paid at period end | **$ 22,154** | $ 22,747 |
| Asset retirement cost capitalized | **$ 816** | $ 2,143 |
| Receivable from employees for stock option exercises | **$ -** | $ 534 |

*See notes to condensed consolidated financial statements.*

**VAALCO ENERGY, INC. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(Unaudited)**

1. ACCOUNTING POLICIES

VAALCO Energy, Inc. and its consolidated subsidiaries ("VAALCO" or the "Company") is a Houston-based independent energy company principally engaged in the acquisition, exploration, development and production of crude oil and natural gas. We own producing properties and conduct exploration activities as operator in Gabon, West Africa, conduct exploration activities as an operator in Angola, West Africa, and participate in exploration and development activities as a non-operator in Equatorial Guinea, West Africa. VAALCO is the operator of unconventional resource properties in the United States in North Texas and undeveloped leasehold in Montana. We also own some minor interests in conventional production activities as a non-operator in the United States.

Our consolidated subsidiaries are VAALCO Gabon (Etame), Inc., VAALCO Production (Gabon), Inc., VAALCO Angola (Kwanza), Inc., VAALCO UK (North Sea), Ltd., VAALCO International, Inc., VAALCO Energy (EG), Inc., VAALCO Energy Mauritius (EG) Limited and VAALCO Energy (USA), Inc.

These condensed consolidated financial statements are unaudited, but in the opinion of management, reflect all adjustments necessary for a fair presentation of results for the interim periods presented. All adjustments are of a normal recurring nature unless disclosed otherwise. Interim period results are not necessarily indicative of results to be expected for the full year.

These condensed consolidated financial statements have been prepared in accordance with rules of the Securities and Exchange Commission ("SEC") and do not include all the information and disclosures required by accounting principles generally accepted in the United States ("U.S. GAAP") for complete financial statements. They should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2014, which include a summary of the significant accounting policies.

Correction of Immaterial Error

In connection with its assessment of impairment for the three months ended September 30, 2015, the Company identified an immaterial error in the calculation of future cash flows used to determine the impairment amount. This immaterial error was present in the calculation of the impairment for the December 31, 2014, March 31, 2015 and June 30, 2015 periods. As a result of this immaterial error, the impairment charge of $98.3 million recorded for the year ended December 31, 2014 was understated by $7.0 million or 7%, and the net loss of $77.6 million was understated by the same amount which represented 9% of the net loss for the period. For the three months ended March 31, 2015, the impact of the error resulted in an overstatement of the impairment charge of $3.1 million or 57%, and for the three months ended June 30, 2015, the error resulted in an understatement of the impairment charge of $0.5 million or 9%. As a result, and after considering the related impact on depletion which was overstated, for the three months ended March 31, 2015, the net loss was overstated by $3.5 million or 9%, and for the three months ended June 30, 2015 the net loss was understated by $0.1 million or 1%. For the six months ended June 30, 2015, the impairment charge was overstated by $2.6 million or 23%. After considering the related impact on depletion, the net loss for the six months ended June 30, 2015 was overstated by $3.5 million or 8%.

In accordance with Staff Accounting Bulletin ("SAB") No. 99,*Materiality*, and SAB No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*, the Company evaluated these errors, including both qualitative and quantitative considerations, and concluded that the errors did not, individually or in the aggregate, result in a material misstatement of our previously issued consolidated financial statements. In addition, the Company determined that the inclusion of the correction of the error in the financial statements for the three and nine months ended September 30, 2015 would not, individually or in the aggregate, result in a material misstatement of the current period consolidated financial statements. The Company has recorded an additional impairment charge of $4.5 million or 33% in the three months ended September 30, 2015 to correct the error related to the prior periods (increase (decrease) to the impairment of $7.0 million attributable to the year ended December 31, 2014, $(3.1) million attributable to the three months ended March 31, 2015 and $0.6 million attributable to the three months ended June 30, 2015). The related impact on depletion was $0.4 million and $0.5 million attributable to the three months ended March 31, 2015 and June 30, 2015. In total, the net loss for the three months ended September 30, 2015 reflects an additional net charge of $3.6 million (increase (decrease) to the impairment of $7.0 million attributable to the year ended December 31, 2014, $(3.5) million attributable to the three months ended March 31, 2015 and $0.1 million attributable to the three months ended June 30, 2015). This resulted in an 11% increase in the net loss for the three months ended September 30, 2015. For the nine months ended September 30, 2015, the impact of correcting the error was $7.0 million related entirely to impairment and to the year ended December 31, 2014 period. This resulted in a 9% increase in the net loss for the period.

Allowance for Bad Debts

Quarterly, we evaluate our accounts receivable balances to confirm collectability. When collectability is in doubt, we record an allowance against the accounts receivable and corresponding income charge for bad debts which appears in the Other costs and expenses line of the condensed consolidated statement of operations. In the three months ended September 30, 2015 and 2014, we

recorded an allowance of $2.8 million and $1.8 million related to Value Added Tax ("VAT") which the government of Gabon has not reimbursed. These were the only allowances recorded during the nine months ended September 30, 2015 and 2014. The remaining amount receivable is being reported as a long-term item in the Value added tax receivable line of the September 30, 2015 balance sheet.

2. NEW ACCOUNTING STANDARDS

In April 2015, the FASB issued guidance that will require the presentation of debt issuance costs in financial statements as a direct reduction of the related debt liabilities with amortization of debt issuance costs reported as interest expense. Under current U.S. GAAP, debt issuance costs are reported as deferred charges (i.e., as an asset). This guidance is effective for annual periods, and interim periods within those fiscal years, beginning after December 15, 2015 and is to be applied retrospectively upon adoption. Early adoption is permitted, including adoption in an interim period for financial statements that have not been previously issued. We do not expect the adoption of this amended guidance to have a significant impact on our financial position, results of operations or cash flows.

In May 2014, the Financial Accounting Standards Board ("FASB") issued revised guidance on revenue from contracts with customers that will supersede most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard provides a five-step analysis for transactions to determine when and how revenue is recognized. The guidance permits the use of either a full retrospective or a modified retrospective approach. In July 2015, the FASB approved a one year deferral of the effective date of this standard to annual reporting periods beginning after December 15, 2017. The FASB approved early adoption of the standard, but not before the original effective date of December 15, 2016. We are evaluating the transition methods and the impact of the amended guidance could have on our financial position, results of operations, cash flows or related disclosures.

In August 2014, the FASB issued an update to accounting standards that requires management to assess an entity's ability to continue as a going concern and to provide related footnote disclosures in certain circumstances. This guidance is effective for annual periods ending after December 15, 2016, and interim periods within annual periods beginning after December 15, 2016, with early adoption permitted. We are currently evaluating the provisions of this standards update and assessing the impact, if any, it may have on our consolidated financial statements.

3. STOCK-BASED COMPENSATION

Stock options are granted under our long-term incentive plan and have an exercise price that may not be less than the fair market value of the underlying shares on the date of grant. In general, stock options granted to participants will become exercisable over a period determined by the Compensation Committee of our Board of Directors, which in the past has been a five year term, with the options vesting over a service period oftwo to five years. A portion of the stock options granted in the nine months ended September 30, 2015 and 2014 were vested immediately with the remainder vesting over a two year period. In addition, stock options will become exercisable upon a change in control, unless provided otherwise by the Compensation Committee of our Board of Directors.

We record non-cash compensation expense related to stock-based compensation as general and administrative expense. For the three and nine months ended September 30, 2015, non-cash compensation expense was $0.7 million and $3.0 million, and was $0.6 million and $2.7 million for the same periods of 2014, related to the issuance of stock options and restricted stock. Because we do not pay significant United States federal income taxes, no amounts were recorded for tax benefits.

Stock option activity for the nine months ended September 30, 2015 is provided below:

| | Number of Shares Underlying Options (in thousands) | Weighted Average Exercise Price Per Share |
|---|---|---|
| Outstanding at January 1, 2015 | 4,765 | $ 7.41 |
| Granted | 1,556 | 4.57 |
| Exercised | (245) | 4.28 |
| Forfeited/cancelled | (399) | 5.88 |
| Outstanding at September 30, 2015 | 5,677 | 6.81 |

Shares of restricted stock are granted under our long-term incentive plan using the fair market value of the underlying shares on the date of grant. In general, restricted stock granted to employees will vest over a period determined by the Compensation Committee which is generally a three year period, vesting in three equal parts on the first three anniversaries of the date of the grant.

Restricted stock activity for the nine months ended September 30, 2015 is provided below:

| | Restricted Stock | Weighted Average Grant Price |
|---|---|---|
| Non-vested shares outstanding at January 1, 2015 | 147,868 | $ 6.39 |
| Awards granted | 374,783 | 3.83 |
| Awards vested | (141,529) | 4.40 |
| Awards forfeited | (41,234) | 5.53 |
| Non-vested shares outstanding at September 30, 2015 | 339,888 | 4.50 |

4. IMPAIRMENT OF PROVED PROPERTIES

We review our oil and gas producing properties for impairment whenever events or changes in circumstances indicate that the carrying amount of such properties may not be recoverable. When it is determined that an oil and gas property's estimated future net cash flows will not be sufficient to recover its carrying amount, an impairment charge is recorded to reduce the carrying amount of the asset to its estimated fair value.

Declining forecasted oil prices in 2015 caused us to perform impairment reviews of our proved properties in each quarter of 2015 for the five fields comprising the Etame Marin block offshore Gabon and the Hefley field in North Texas. For the three and nine months ended September 30, 2015, impairments of proved properties of $18.0 million and $29.2 million were recorded.

For the quarter ended September 30, 2015, we performed an impairment evaluation using the year end 2014 independently prepared reserve report with reserve revisions based on drilling and production results through September 30, 2015 and forward price curves near September 30, 2015. Impairment was indicated for the North Tchibala field, as a result of lower forecasted oil prices, as well as higher costs for planned development wells used in the impairment evaluation. We recorded an impairment charge of $13.5 million for the quarter ended September 30, 2015, reducing the carrying value of this field to its aggregate fair value of $0.2 million. As discussed further in Note 1, we also recorded impairment charges of $4.5 million and $7.0 million during the three and nine months ended September 30, 2015 to correct an immaterial error related to the impairment calculations in prior periods.

For the quarters ended March 31 and June 30, 2015, we performed impairment evaluations resulting in impairments of $5.4 million for the March 31, 2015 quarter and of $5.8 million for the June 30, 2015 quarter. These related to the Southeast Etame and North Tchibala fields and were primarily a result of declines in forecasted oil prices, as well as higher costs for planned development wells used in the impairment evaluation.

Each quarter, fair value was measured using a discounted cash flow method and based on estimates of future revenues and costs associated with the Etame Marin block offshore Gabon and the Hefley field in North Texas. Significant Level 3 inputs to the calculation of discounted cash flows include our estimate of future crude oil and natural gas prices, production costs, development costs and anticipated production of proved reserves, appropriate risk-adjusted discount rates and other relevant data. For crude oil, estimates were based on NYMEX Brent prices, adjusted for quality, transportation fees, and market differential.

Beginning in the third quarter of 2014, oil prices began a substantial decline which has persisted into 2015. As this period of sustained reduced oil prices continues, further non-cash impairments of proved properties could be necessary in future periods, as a result of further declines in prices, higher than expected capital and production costs, lower production rates or other factors.

In the three and nine months ended September 30, 2014, we determined that no impairment charge was necessary.

5. EARNINGS PER SHARE

Basic earnings per share ("EPS") is calculated using the average number of shares of common stock outstanding during each period. For the calculation of diluted shares, we assume that restricted stock is outstanding on the date of grant, and we assume the issuance of shares from the exercise of stock options using the treasury stock method.

Diluted shares consist of the following:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Basic weighted average common stock issued and outstanding | **58,392,240** | 57,304,763 | **58,226,687** | 57,040,166 |
| Effect of dilutive securities | **-** | 563,540 | **-** | 535,139 |
| Total diluted shares | **58,392,240** | 57,868,303 | **58,226,687** | 57,575,305 |
| | | | | |
| Stock options excluded from dilutive calculation because they would be anti-dilutive | **5,766,411** | 1,203,324 | **5,979,348** | 2,364,392 |

Because we recognized net losses for the three and nine months ended September 30, 2015, there were no dilutive securities for those periods

6. SEGMENT INFORMATION

Our operations are based in Gabon, Angola, Equatorial Guinea and the United States ("USA"). Each of our four reportable operating segments is organized and managed based upon geographic location. Management reviews and evaluates the operation of each geographic segment separately primarily based on Operating income (loss). The operations of all segments include exploration for and production of hydrocarbons where commercial reserves have been found and developed. Revenues are based on the location of hydrocarbon production. Corporate and other is primarily corporate and operations support not allocated to the reportable operating segments.

Segment activity for the three and nine months ended September 30, 2015 and 2014 and segment assets at September 30, 2015 and December 31, 2014 are as follows:

| | Three Months Ended September 30, 2015 | | | | | |
|---|---|---|---|---|---|---|
| *(in thousands)* | Gabon | Angola | Equatorial Guinea | USA | Corporate and Other | Total |
| Revenues-oil and gas sales | $ 17,405 | $ - | $ - | $ 141 | $ - | $ 17,546 |
| Depreciation, depletion and amortization | 8,060 | 3 | - | 140 | 56 | 8,259 |
| Impairment of proved properties | 17,988 | - | - | - | - | 17,988 |
| Operating income (loss) | (29,007) | (1,170) | (287) | 42 | (1,699) | (32,121) |
| Interest income (expense), net | (294) | - | - | - | (168) | (462) |
| Income tax expense | 2,707 | - | - | - | - | 2,707 |

| | Three Months Ended September 30, 2014 | | | | | |
|---|---|---|---|---|---|---|
| *(in thousands)* | Gabon | Angola | Equatorial Guinea | USA | Corporate and Other | Total |
| Revenues-oil and gas sales | $ 24,132 | $ - | $ - | $ 354 | $ - | $ 24,486 |
| Depreciation, depletion and amortization | 4,035 | 5 | - | 239 | 10 | 4,289 |
| Impairment of proved properties | - | - | - | - | - | - |
| Operating income (loss) | 10,326 | (1,319) | (254) | (100) | (1,966) | 6,687 |
| Interest income (expense), net | 12 | - | - | - | 7 | 19 |
| Income tax expense | 3,761 | - | - | - | - | 3,761 |

| | Nine Months Ended September 30, 2015 | | | | | |
|---|---|---|---|---|---|---|
| *(in thousands)* | Gabon | Angola | Equatorial Guinea | USA | Corporate and Other | Total |
| Revenues-oil and gas sales | $ 62,496 | $ - | $ - | $ 426 | $ - | $ 62,922 |
| Depreciation, depletion and amortization | 22,844 | 9 | - | 467 | 173 | 23,493 |
| Impairment of proved properties | 29,208 | - | - | - | - | 29,208 |
| Operating loss | (31,286) | (30,014) | (944) | (372) | (5,813) | (68,429) |
| Interest income (expense), net | (944) | - | - | - | (163) | (1,107) |
| Income tax expense | 10,345 | - | - | - | - | 10,345 |

| | Nine Months Ended September 30, 2014 | | | | | |
|---|---|---|---|---|---|---|
| *(in thousands)* | Gabon | Angola | Equatorial Guinea | USA | Corporate and Other | Total |
| Revenues-oil and gas sales | $ 103,507 | $ - | $ - | $ 1,152 | $ - | $ 104,659 |
| Depreciation, depletion and amortization | 14,638 | 11 | - | 749 | 46 | 15,444 |
| Impairment of proved properties | - | - | - | - | - | - |
| Operating income (loss) | 49,239 | (3,165) | (591) | (33) | (5,580) | 39,870 |
| Interest income (expense), net | 37 | - | - | - | 28 | 65 |
| Income tax expense | 18,897 | - | - | - | - | 18,897 |

| (in thousands) | Gabon | Angola | Equatorial Guinea | USA | Corporate and Other | Total |
|---|---|---|---|---|---|---|
| Total assets as of September 30, 2015 | $ 150,040 | $ 22,268 | $ 10,295 | $ 5,904 | $ 6,572 | $ 195,079 |
| Total assets as of December 31, 2014 | 192,957 | 22,305 | 10,197 | 6,611 | 16,779 | 248,849 |

7. CAPITALIZATION OF EXPLORATORY WELL COSTS

At June 30, 2015, we had $9.2 million of exploratory well costs that had been capitalized pending the determination of proved reserves. All costs were related to the N'Gongui No. 2 discovery well that was drilled in the third and fourth quarters of 2012 in the Mutamba Iroru block onshore Gabon.

Since the discovery, we have performed quarterly evaluations of the suspended well costs for the N'Gongui No. 2 discovery to determine whether sufficient progress is being made towards development, as well as the economic and operational viability of the project. The evaluation of economic viability takes into account a number of factors, including alternative development scenarios, estimated reserves, projected drilling and development costs and projected oil price data. As a result of lower projected oil price data at September 30, 2015, the results from the economic modeling indicated that the costs for this well did not continue to meet the criteria for suspended well costs. Accordingly, the costs were recorded in exploration expense in the third quarter of 2015.

8. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations represent the present value of our future obligations for the future abandonment costs of tangible assets such as platforms, well, pipelines and other facilities. Changes in our asset retirement obligations are presented as follows:

| | Nine Months Ended September 30, | |
|---|---|---|
| (In Thousands) | 2015 | 2014 |
| Balance at January 1 | $ 14,846 | $ 11,463 |
| Accretion expense | 536 | 414 |
| Additions | 816 | 2,143 |
| Revisions | - | (361) |
| Balance at September 30 | $ 16,198 | $ 13,659 |

In the nine months ended September 30, 2015, we increased the asset retirement obligation to recognize abandonment liabilities for additional offshore Gabon development wells.

ARO associated with retiring tangible long-lived assets is recognized as a liability in the period in which the legal obligation is incurred and becomes determinable. The liability is offset by a corresponding increase in the underlying asset. The ARO liability reflects the estimated present value of the amount of dismantlement, removal, site reclamation, and similar activities associated with our oil and gas properties. We use current retirement costs to estimate the expected cash outflows for retirement obligations. These current retirement costs are based primarily on third-party abandonment studies which are performed periodically. As discussed further in Note 11 below, we have commissioned a third party to provide an updated abandonment study this year. Initial indications from the third-party performing the study show that estimated costs have increased, and in turn the asset retirement obligation could increase by $10.0 million to $15.0 million. Inherent in the present value calculation are numerous assumptions and judgments including the ultimate settlement amounts, inflation factors, credit-adjusted discount rates, timing of settlement, and changes in the legal, regulatory, environmental, and political environments. To the extent future revisions to these assumptions impact the present value of the existing ARO liability, a corresponding adjustment is made to the oil and gas property balance. Accretion expense is recognized over time as the discounted liability is accreted to its expected settlement value.

9. DEBT

In January 2014, we executed a loan agreement with the International Finance Corporation ("IFC") for a $65.0 million revolving credit facility ("IFC credit facility"), which is secured by the assets of our Gabon subsidiary, VAALCO Gabon (Etame), Inc. In May 2015, the IFC credit facility was amended to remove the affirmative covenant that we maintain a debt to equity ratio at or below that of 60:40, which lifted a restriction on borrowing capacity. Under the amended IFC credit facility agreement, we are required to maintain a ratio of our net debt to EBITDAX (as defined in the credit agreement) of not more than 3.0 to 1.0. The borrowing base under the IFC credit facility is based upon our proved reserves and risk adjusted probable reserves and is re-determined semi-annually by the IFC. In addition, the borrowing base may be adjusted pursuant to certain non-scheduled re-determinations. As a result of the borrowing base redetermination as of June 30, 2015, our borrowing capacity was reaffirmed at the maximum capacity under the facility.

Forecasting our compliance with the financial covenant in future periods is inherently uncertain. Factors that could impact our net debt to EBITDAX in future periods include future realized prices for sales of oil and natural gas, estimated future production, returns generated by our capital program, and future interest costs, among others. We are in compliance with all financial covenants as of September 30, 2015.

Borrowings outstanding under the IFC credit facility were $15.0 million as of September 30, 2015, and are due in full upon maturity in December 2019. The borrowings approximate fair value, as the interest approximates current market rates for similar instruments. The interest rate on outstanding borrowings, excluding commitment fees, was 4.0% in the three and nine months ended September 30, 2015. Interest expense incurred, including commitment fees on the available balance, was $0.4 million and $1.1 million for the three and nine months ended September 30, 2015.

We capitalize interest and commitment fees related to expenditures made in connection with exploration and development projects that are not subject to current depletion. Interest and commitment fees are capitalized only for the period that activities are in progress to bring these projects to their intended use. For the three and nine months ended September 30, 2015 $0.2 million and $0.8 million of interest expense was capitalized, while $0.3 million and $0.8 million of interest expense was capitalized for the three and nine months ended September 30, 2014.

## 10. SHAREHOLDERS'EQUITY

### Preferred Stock

Authorized preferred stock consists of 500,000 shares with a par value of $25 per share, of which 15,000 shares were designated on September 26, 2015 as Series A Junior Participating Preferred Stock ("Series A Preferred Stock") by the VAALCO Board of Directors ("Board of Directors") in accordance with the Stockholder Rights Agreement discussed below. No shares of preferred stock were issued and outstanding as of September 30, 2015 or 2014.

### Treasury Stock

In the nine months ended September 30, 2015, we withheld 114,985 shares to satisfy tax withholding obligations related to stock option exercises.

### Stockholder Rights Agreement

On September 26, 2015, VAALCO entered into a Rights Agreement (the "Rights Agreement") with Computershare Trust Company, N.A., as Rights Agent, pursuant to which the Board of Directors declared a dividend of one right ("Right") for each outstanding share of common stock to stockholders of record at the close of business on October 7, 2015. Each Right entitles the registered holder to purchase from VAALCO one ten-thousandth of a share of Series A Preferred Stock at a price of $7.20, subject to certain adjustments (the "exercise price"). As of November 6, 2015, the Rights were not exercisable and remained attached to the shares of common stock.

The Rights will not be exercisable until the earlier to occur of (i) the tenth business day following a public announcement or filing that a person has, or group of affiliated or associated persons or persons acting in concert (as defined in the Rights Agreement) have, become an "Acquiring Person," which is defined as a person or group of affiliated or associated persons or persons acting in concert who, at any time after the date of the Rights Agreement, have acquired, or obtained the right to acquire, beneficial ownership of 10% or more of VAALCO's outstanding shares of common stock, subject to certain exceptions, or (ii) the tenth business day (or such other date as may be determined by action of the Board of Directors prior to such time as any person or group of affiliated or associated persons becomes an Acquiring Person) after the commencement of, or announcement of an intention to commence, a tender offer or exchange offer, the consummation of which would result in any person becoming an Acquiring Person.

In the event that, after a person or a group of affiliated or associated persons has become an Acquiring Person, VAALCO is acquired in a merger or other business combination transaction, or 50% or more of VAALCO's assets or earning power are sold, each holder of a Right will thereafter have the right to receive, upon the exercise thereof at the then current exercise price of the Right, that number of shares of common stock of the acquiring company having a value at the time of that transaction equal to two times the exercise price of the Right.

At any time after any person or group of affiliated persons becomes an Acquiring Person and prior to the Acquiring Person's acquisition of 50% or more of VAALCO's outstanding common stock, the Board of Directors, at its option, may exchange all or part of the then outstanding and exercisable Rights for shares of common stock at an exchange ratio of one share of common stock per outstanding Right (subject to adjustment). At any time before any person or group of affiliated or associated persons becomes an Acquiring Person, the Board of Directors may redeem the Rights in whole, but not in part, at a price of $0.001 per Right (subject to certain adjustments).

## 11. COMMITMENTS AND CONTINGENCIES

### Subsequent Events

On November 6, 2015, a stockholder group consisting of Group 42, Inc., Bradley L. Radoff and certain other participants (collectively, the "Group 42-BLR Group") filed a preliminary consent solicitation statement on Schedule 14A with the Securities and Exchange Commission. The Group 42-BLR Group intends to attempt to amend our bylaws, remove four duly elected members of our Board of Directors and replace them with Group 42-BLR Group's nominees. VAALCO intends to vigorously defend itself and continue to act in the best interests of all stockholders.

Lease Obligations

We contracted for two drilling rigs during the year ended December 31, 2014. In April 2014, we contracted with a drilling rig to begin a multi-well development drilling campaign offshore Gabon. The campaign includes drilling of development wells from the Etame platform, development wells from the Southeast Etame/North Tchibala ("SEENT") platform and workovers of existing wells in the Etame Marin block. The rig commenced drilling activities in October 2014 and continues under a contract until July 2016, at a day rate of approximately $168,000 on a gross basis for 2015 and $172,000 on a gross basis for 2016. Our net share of the initial total commitment related to this rig was $25.8 million. As a result of drilling activity through September 30, 2015, the remaining net share of the commitment is $14.3 million.

The second drilling rig contract was signed in July 2014 for a semi-submersible rig to drill an exploration well on the Kindele prospect, a post-salt objective on Block 5, offshore Angola. The Kindele well was drilled in the first quarter of 2015 and the rig was released on April 19, 2015. We have no further commitment under this contract.

Gabon

*Offshore*

**Abandonment**

As part of securing the first of two-five year extensions to the Etame field production license to which we are entitled from the government of Gabon, we agreed to a cash funding arrangement for the eventual abandonment of all offshore wells, platforms and facilities on the Etame Marin Block. The agreement was finalized in the first quarter of 2014 (effective 2011) providing for annual funding over a period of ten years at 12.14% of the total abandonment estimate for the first seven years and 5.0% per year for the last three years of the production license. The amounts paid will be reimbursed through the cost account and are non-refundable. The abandonment estimate originally used for this purpose is approximately $10.1 million net to VAALCO on an undiscounted basis. The initial funding took place in October 2014 for calendar years 2012 and 2013 totaling $8.4 million ($2.3 million net to VAALCO). The funding for calendar year 2014 was paid in the first quarter of 2015 in the amount of $4.2 million ($1.2 million net to VAALCO). The obligation for abandonment of the Gabon offshore facilities is included in the Asset retirement obligation shown on our balance sheet. This cash funding is reflected under other long term assets as Abandonment funding.

We are required under the Etame production sharing contract to conduct regular abandonment studies to update the amounts being funded for the eventual abandonment of the offshore wells, platforms and facilities on the Etame Marin Block. In September 2015, we commissioned a new abandonment study. Due to two new platforms and to the development wells drilled since the prior study, the final results of the abandonment study will result in an increase in the amounts necessary to fund future abandonment obligations. We will be required to expend greater amounts than are currently being funded, which may have an adverse effect on our cash flow. Additionally, no assurances can be given that future cash flows from our reserves will be sufficient to cover such costs as they are incurred in the future. Initial indications from the third-party performing the study show that estimated costs have increased This would increase the abandonment estimate used for funding purposes from the $10.1 million net to VAALCO on an undiscounted basis currently used to between $14.0 million and $28.0 million, and in turn the annual abandonment requirements for 2015 through 2021 are expected to increase by between $0.6 million and $2.5 million.

**Audits**

In October 2014, we received a provisional audit report related to the Etame Marin block operations from the Gabon Taxation Department as part of a special industry-wide audit of business practices and financial transactions in the Republic of Gabon. In November 2014, we responded to the Gabon Taxation Department requesting joint meetings to advance the resolution of this matter and later provided a formal reply to the provisional audit report in February 2015. A tentative agreement was reached with the Gabon Taxation Department in April 2015, and we are working with the Gabon Taxation Department to finalize the audit. We expect that resolution of the audit exceptions will not result in a material impact to our financial position, results of operations or cash flows.

The audit of 2011 and 2012 by the Directorate General of Hydrocarbons ("DGH"), which is responsible for implementation of oil policy and the management and development of oil and gas resources in Gabon, was fully resolved and settled in September 2015 for $0.3 million net to VAALCO.

Angola

*Offshore*

In November 2006, we signed a production sharing contract for Block 5 offshore Angola. The four year primary term, with an optional three year extension, awards us exploration rights to 1.4 million acres offshore central Angola. Our working interest is 40%. Additionally, we are required to carry the Angolan national oil company, Sonangol P&P, for 10% of the work program. During the first four years of the contract, we had commitments to acquire and process seismic and drill two exploration wells. The seismic commitments were met within the time period, but the wells were not drilled due to partner non-performance.

The government-assigned working interest partner was delinquent in paying their share of the costs several times in 2009 and consequently was placed in a default position. By a governmental decree dated December 1, 2010, the former partner was removed

from the production sharing contract, and a one year time extension was granted for drilling the two exploration commitment wells. Additional extensions were subsequently granted by the Angolan government until November 30, 2014 to drill the two exploration commitment wells.

In the fourth quarter of 2013, we received a written confirmation from The Ministry of Petroleum of Angola that the available 40% working interest in Block 5, offshore Angola, had been assigned to Sonangol E.P., the National Concessionaire. The Ministry of Petroleum also confirmed that Sonangol E.P. would assign the aforementioned participating interest to its exploration and production affiliate, Sonangol P&P. The assignment was made effective on January 1, 2014. Our position is that the unpaid amounts from the defaulted partner plus the amounts incurred on the partner's behalf during the period prior to assignment of the working interest to Sonangol P&P are the responsibility of the acquirer of the working interest. We invoiced Sonangol P&P for these amounts totaling $7.6 million plus interest in April 2014. Due to the uncertainty of collection, we have recorded a full allowance totaling $7.6 million during 2011 through 2013 for the amount owed us above our 40% working interest plus the 10% carried interest. Because this amount continues to be owed and due to slow payment history of the monthly cash call invoices since their assignment date of January 1, 2014, we placed Sonangol P&P in default in the first quarter of 2015. Sonangol E.P. acknowledged the legitimacy of the amounts owed and pledged to work to bring the Sonangol P&P account to a current status. Although payments totaling $22.2 million have been received from Sonangol P&P in 2015, they continue to be in default as of November 6, 2015 due to non-payment of the pre-assignment costs and unpaid recent cash call invoices. The balance in Accounts with partners includes a joint interest receivable of $7.3 million at September 30, 2015.

In April 2014, we received a letter and contractual amendment proposal from Sonangol E.P., related to the extension of the two well drilling commitment, prior to the expiration of the extension on November 30, 2014. Due to the uncertainty that the primary term of the exploration license would be extended by the Republic of Angola before the November 30, 2014 expiration date, in October 2014, we entered into the Subsequent Exploration Phase ("SEP"), together with our working interest partner, Sonangol P&P. The SEP extends the exploration period for an additional three year period such that the new expiry date for exploration activities is November 30, 2017. Entering the SEP requires us and our partner to acquire 3D seismic covering a total of six hundred square kilometers and to drill two additional exploration wells.

We satisfied the seismic obligation of the SEP with the 2013 acquisition of additional seismic data covering the deeper segment of the block. Processing of the seismic data began in 2014 and was completed in 2015, with evaluation continuing in 2015.

After entering into the SEP, we are required to drill a total of four exploration wells during the exploration extension period. This four well obligation includes the two well commitments under the primary exploration period that carries over to the SEP period. A $10.0 million dollar assessment ($5.0 million dollars net to VAALCO) applies to each of the four commitment exploration wells, if any, that remain undrilled at the end of the exploration period in November 2017. In the first quarter of 2015, we drilled an unsuccessful exploratory well on the Kindele prospect, a post-salt objective. At September 30, 2015, the $15.0 million included in long-term restricted cash reflected on our balance sheet is related to the remaining 3 well commitment under the offshore Angola exploration agreement.

**ITE M 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

This Report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section21E of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") which are intended to be covered by the safe harbors created by those laws. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements include information about possible or assumed future results of our operations. All statements, other than statements of historical facts, included in this Report that address activities, events or developments that we expect or anticipate may occur in the future, including without limitation, statements regarding our financial position, operating performance and results, reserve quantities and net present values, market prices, business strategy, derivative activities, the amount and nature of capital expenditures, plans and objectives of our management for future operations are forward-looking statements. When we use words such as "anticipate," "believe," "estimate," "expect," "intend," "forecast," "outlook," "aim," "will," "could," "should," "may," "likely," "plan," "probably" or similar expressions, we are making forward-looking statements. Many risks and uncertainties that could affect our future results and could cause results to differ materially from those expressed in our forward-looking statements include, but are not limited to:

- the volatility of oil and natural gas prices, including continued depressed prices;
- the uncertainty of estimates of oil and natural gas reserves;
- the impact of competition;
- the availability and cost of seismic, drilling and other equipment;
- operating hazards inherent in the exploration for and production of oil and natural gas;
- difficulties encountered during the exploration for and production of oil and natural gas;
- difficulties encountered in measuring, transporting and delivering oil to commercial markets;
- discovery, acquisition, development and replacement of oil and gas reserves;
- timing and amount of future production of oil and gas;
- potential reductions in the borrowing base and our ability to meet the financial covenants of our credit facility;
- hedging decisions, including whether or not to enter into derivative financial instruments;
- our ability to effectively integrate companies and properties that we acquire;
- general economic conditions, including any future economic downturn, disruption in financial markets and the availability of credit;
- changes in customer demand and producers' supply;
- future capital requirements and our ability to attract capital;
- currency exchange rates;
- actions by the governments of and events occurring in the countries in which we operate;
- actions by our venture partners;
- compliance with, or the effect of changes in, governmental regulations regarding our exploration, production, and well completion operations including those related to climate change;
- the outcome of any governmental audit;
- actions of operators of our oil and gas properties; and
- weather conditions.

The information contained in this report and the information set forth under the heading "Risk Factors" set forth in our Annual Report on Form 10-K for the year ended December 31, 2014 and our Quarterly Report on Form 10-Q for the three months ended March 31, 2015identifies additional factors that could cause our results or performance to differ materially from those we express in our forward-looking statements. Although we believe that the assumptions underlying our forward-looking statements are reasonable, any of these assumptions and therefore also the forward-looking statements based on these assumptions, could themselves prove to be inaccurate. In light of the significant uncertainties inherent in the forward-looking statements which are included in this report, our inclusion of this information is not a representation by us or any other person that our objectives and plans will be achieved. When you consider our forward-looking statements, you should keep in mind these risk factors and the other cautionary statements in this report.

Our forward-looking statements speak only as of the date made and we will not update these forward-looking statements unless the securities laws require us to do so. Our forward-looking statements are expressly qualified in their entirety by this cautionary statement. In light of these risks, uncertainties and assumptions, any forward-looking events discussed in this report may not occur.

INTRODUCTION

VAALCO owns producing properties and conducts exploration activities as an operator in Gabon, West Africa, conducts exploration activities as an operator in Angola, West Africa and participates in exploration and development activities as a non-operator in Equatorial Guinea, West Africa. VAALCO is the operator of unconventional resource properties in the United States in North Texas and unprovedleasehold in Montana. We also own minor interests in conventional production activities as a non-operator in the United States.

A significant component of our results of operations is dependent upon the difference between prices received for our offshore Gabon oil production and the costs to find and produce such oil. Oil and natural gas prices have been and are expected in the future to be volatile and subject to fluctuations based on a number of factors beyond our control. Beginning in the third quarter of 2014, the prices for oil and natural gas began a dramatic decline, and current prices are significantly less than they have been over the last several years. Sustained low oil and gas prices could have a material adverse effect on our financial condition, the carrying value of our proved reserves, our undeveloped leasehold interests and the borrowing base under our International Finance Corporation credit facility ("IFC credit facility"). As with prices received for oil production, the costs to find and produce oil and natural gas are largely not within our control, particularly in regard to the cost of leasing drilling rigs to drill and maintain offshore wells.

CURRENT DEVELOPMENTS

In the nine months ended September 30, 2015, prices for oil, natural gas and natural gas liquids have continued to decline, and they continue to remain low by historical standards. These low prices have affected our business in numerous ways, including:

- a material reduction in our revenues and cash flows;
- a decrease in the valuation of our proved reserves and additional impairments of our oil and natural gas properties and the possibility that some of our existing and future development wells may become uneconomic; and
- an increase in the possibility that some of the purchasers of our oil and natural gas production, or some of the companies that provide us with services, may experience financial difficulties.

Price declines can also adversely affect future semi-annual determinations of the amount we can borrow under our IFC credit facility since that determination is based mainly on the value of our oil and natural gas reserves. Such a reduction could limit our ability to carry out our planned capital projects. We amended our IFC credit facility in May 2015 to remove the affirmative covenant that we maintain a debt to equity ratio at or below that of 60:40which will help preserve our liquidity and financial flexibility.

We may also pursue ways to increase liquidity and increase activity within our asset base by pursuing joint ventures, farm-outs of our acreage and/or the monetization of our producing assets. We can give no assurances that such transactions can be completed on terms acceptable to us.

As discussed in Note 4 to the condensed consolidated income statements, we have recorded impairments of our proved properties in each of the three quarters of 2015. We may experience additional write-downs in the fourth quarter of 2015. It is difficult to predict with reasonable certainty the amount of expected future impairments given the many factors impacting the calculation including, but not limited to, future pricing, operating costs, drilling and completion costs, and reserve additions and adjustments. Impairments calculated for this and previous quarters have been based upon reserve economics using forecasted future prices, adjusted for specifics related to our production. If per barrel prices had been $5.00 lower, our third quarter impairment would have increased by approximately $19 million. Given the uncertainty associated with the factors usedin these calculations, these estimates should not necessarily be construed as indicative of our future financial results.

Gabon

*Offshore*

**Development and Production**

One of our key focuses is maintenance of oil production from the Etame Marin block, located offshore Gabonin which our working interest is 28.1%. We operate the Etame, Avouma/South Tchibala, Ebouri, Southeast Etame and the North Tchibala fields on behalf of a consortium of five companies. As part of the ongoing development plans for the Etame Marin block, two new production platforms, the Etame and Southeast Etame/North Tchibala ("SEENT") platforms, were installed in the offshore waters of Gabon in the third quarter of 2014. As of September 30, 2015 production from three subsea wells andnine platform wells are tied back by pipelines to deliver oil and associated gas through a riser system to allow for delivery, processing, storage and ultimately offloading the oil from a leased Floating, Production, Storage and Offloading vessel ("FPSO") anchored to the seabed on the block. With the FPSO limitations of approximately 25,000 barrels of oil per day ("BOPD") and 30,000 barrels of total fluids per day, the challenge is to optimize production on both a near and long-term basis subject to investment and operational agreements between VAALCO and the consortium.

As part of the near-term optimization, drilling and workover campaigns are developed and executed to drill new wells, develop bypassed oil and perform workovers to replace electrical submersible pumps ("ESPs") in existing wells. Thus far in 2015, two new development wells were drilled and brought on production from the Etame platform offshore Gabon. The Etame 10-H well was brought on production in the first quarter of 2015, and the Etame 12-H well, which began drilling in March 2015, was brought on

production in the second quarter of 2015. We believe that the Etame 10-H well also confirmed the presence of an undrained lower lobe of the Gamba reservoir.

With the drilling rig under long-term contract, we moved it early in the second quarter of 2015 to the SEENT platform offshore Gabon. Two new development wells were drilled and brought on production from this platform as of September 30, 2015. The Southeast Etame 2-H well, drilled to a field where we had exploration success in 2010, was brought on production in July 2015. The Southeast Etame 2-H well required re-drilling a segment of the well following a mechanical failure. The North Tchibala 1-H well, targeting the Dentale formation also required re-drilling a segment of the well due to wellbore collapse. The well was brought on production in mid-September 2015. Oil discoveries were made in the North Tchibala field in the Dentale formation prior to our acquisition of the Etame Marin block in 1995. We are currently drilling the North Tchibala 2-H well from the SEENT platform. This is our second well targeting the Dentale formation, and it is expected to be completed in November 2015. Given favorable sea state conditions, the contract rig will then move to the Avouma/South Tchibala platform to perform workovers to replace electrical submersible pumps on three existing wells, two of which are currently off production.

The 2015 annual maintenance turnaround for the FPSO has been rescheduled to January 2016. It is expected to last approximately six days. During this time period, all production will be shut-in.

**Oil Reserves Impacted by Hydrogen Sulfide ("$H_2S$")**

With respect to longer-term optimization, the Etame consortium is evaluating options for handling oil containing $H_2S$ that has impacted certain wells in the Ebouri and Etame fields. In July 2012, we discovered the presence of $H_2S$ from two of the three producing wells in the Ebouri field. The wells were shut-in for safety and marketability reasons resulting in a production decrease of approximately 2,000 BOPD on a gross basis, or approximately 10% of the gross daily production from the Etame Marin block at that time. In addition, $H_2S$ was first detected in January 2014 and later confirmed in July 2014 in the Etame 5-H well in the Etame field, The Etame 8-H well was drilled in the fourth quarter of 2014 and testing in the first quarter of 2015 confirmed the presence of $H_2S$. Both the Etame 5-H and 8-H wells remain shut-in.

To re-establish and maximize production from the impacted areas, additional capital investment will be required, including one or more processing facilities capable of removing $H_2S$, recompletion of the temporarily abandoned wells, and potentially, additional new wells. Considering the sustained low oil prices, we and our partners are focusing on more cost efficient options for one or more processing facilities (e.g. chemical removal options, construction of a smaller facility on existing structures, or the use of surplus equipment and used structures). We continue to evaluate the economics of various alternatives, and we expect to present the outcome of the evaluation to our partners in the fourth quarter of 2015.

There can be no assurances that any processing facilities will be completed by 2017, if at all, or that a more cost effective facility will cover all affected areas of the Ebouri and Etame fields. Should the evaluation result in no economic alternative, a decrease of as much as 2.4 million barrels of proved undeveloped reserves could result.

**Impairment**

In the fourth quarter of 2014, we recorded an impairment loss of $98.3 million to write down our investment in certain fields comprising the Etame Marin Block, offshore Gabon, to fair value as a result of the declines in the forecasted oil prices used in the impairment testing and calculation. As a result of further declines in prices and increased development well costs, during the first and second quarters of 2015, we recorded impairments totaling $11.2 million for the six months ended June 30, 2015 to write down our investment in the Southeast Etame and North Tchibala fields offshore Gabon. For the quarter ended September 30, 2015, impairment was indicated for the North Tchibala field, primarily as a result of lower forecasted oil prices as well as higher costs for planned development wells used in the impairment evaluation. We recorded an impairment charge of $13.5 million in the quarter ended September 30, 2015. As discussed further in Note 1 to the condensed consolidated financial statements, we also recorded an impairment charge of $4.5 million during the three months ended September 30, 2015 to correct an immaterial error related to the impairment calculations in prior periods.

*Onshore*

VAALCO operates the Mutamba Iroru block located onshore Gabon. We have a 50% working interest in the block (41% net working interest assuming the Republic of Gabon exercises its back-in rights). After drilling two unsuccessful exploration wells on the block in 2009, we entered into an agreement with Total Gabon to continue the exploration activities. Following seismic reprocessing, a well was drilled in 2012, resulting in a discovery.

Since mid-2014, we have been working to finalize a revised or new production sharing contract ("PSC") with the government of Gabon to allow for development of the discovery and to maintain exploration rights on the block. A term sheet, which specifies financial and other obligations to be included in a new PSC, was signed in the third quarter of 2014.

A letter received in September 2015 from the Gabon government expressed their view that the initial PSC has expired and encouraged us to expeditiously enter into a new PSC along the terms of the signed term sheet which, among other factors, honors the 2012 discovery and the accumulated cost account which is used in the calculation of Gabon production taxes. We and our joint venture partner do not agree with the government's assertion that the initial PSC has expired, but did reach agreement on entering into a revised/new PSC in accordance with the term sheet agreement.

Meetings were held in October 2015 with the government regarding further amendments to the previously agreed terms of a new PSC, taking into account the substantial decrease in the oil price compared to the price environment when the term sheet was signed in the third quarter of 2014. We have also met with the joint venture partner in October 2015 and anticipate further meetings with the joint venture partner and the government will take place in the fourth quarter of 2015.

We can provide no assurance that we, with or without the joint venture partner, will enter into a new PSC. We can provide no assurances as to either the approval of the PSC by the Government of Gabon, or the subsequent approval of a development area by the Government of Gabon. As discussed further in Note 7 to the condensed consolidated financial statements, the September 30, 2015 evaluation of the suspended well costs for the N'Gongui No. 2 well resulted in a determination that these costs no longer met the criteria, and accordingly we included the costs in exploration expense for the three months ended September 30, 2015.

Angola

*Offshore*

In November 2006, we signed a production sharing contract for Block 5, offshore Angola. The four year primary term, with an optional three year extension, awarded us exploration rights to 1.4 million acres offshore central Angola. VAALCO's working interest is 40%. Additionally, we are required to carry the Angolan national oil company, Sonangol P&P, for 10% of the work program. During the first four years of the contract, we had commitments to acquire and process seismic and drill two exploration wells. The seismic commitments were met within the time period, but the wells were not drilled due to partner non-performance.

The government-assigned working interest partner was delinquent in paying their share of the costs several times in 2009 and consequently was placed in a default position. By a governmental decree dated December 1, 2010, the former partner was removed from the production sharing contract, and a one year time extension was granted for drilling the two exploration commitment wells. Additional extensions were subsequently granted by the Angolan government until November 30, 2014 to drill the two exploration commitment wells.

In the fourth quarter of 2013, we received a written confirmation from The Ministry of Petroleum of Angola that the available 40% working interest in Block 5, offshore Angola, has been assigned to Sonangol E.P., the National Concessionaire. The Ministry of Petroleum also confirmed that Sonangol E.P. would assign the aforementioned participating interest to its exploration and production affiliate, Sonangol P&P. The assignment was made effective on January 1, 2014. Our position is that the unpaid amounts from the defaulted partner plus the amounts incurred on the partner's behalf during the period prior to assignment of the working interest to Sonangol P&P are the responsibility of the acquirer of the working interest. We invoiced Sonangol P&P for these amounts totaling $7.6 million plus interest in April 2014. Due to the uncertainty of collection, we have recorded a full allowance totaling $7.6 million during 2011 through 2013 for the amount owed above its 40% working interest plus the 10% carried interest. Because this amount continues to be owed and due to slow payment history of the monthly cash call invoices since their assignment date of January 1, 2014, we placed Sonangol P&P in default in the first quarter of 2015. Sonangol E.P. acknowledged the legitimacy of the amounts owed and pledged to work to bring the Sonangol P&P account to a current status. Although payments totaling $22.2 million have been received from Sonangol P&P in 2015, they continue to be in default as of November 6, 2015 due to non-payment of the pre-assignment costs and unpaid recent cash call invoices. The balance in Accounts with partners includes a joint interest receivable of $7.3 million at September 30, 2015.

In April 2014, we received a letter and contractual amendment proposal from Sonangol E.P., related to the extension of the two well drilling commitment, prior to the expiration of the extension on November 30, 2014. Due to the uncertainty that the primary term of the exploration license would be extended by the Republic of Angola before the November 30, 2014 expiration date, in October 2014, we entered into the Subsequent Exploration Phase ("SEP"), together with our working interest partner, Sonangol P&P. The SEP extends the exploration period for an additional three year period such that the new expiry date for exploration activities is November 30, 2017. Entering the SEP requires us and our partner to acquire 3D seismic covering a total of six hundred square kilometers and to drill two additional exploration wells.

We satisfied the seismic obligation of the SEP with the 2013 acquisition of additional seismic data covering the deeper segment of the block. Processing of the seismic data began in 2014 and was completed in 2015, with evaluation continuing in 2015.

By entering into the SEP, we are required to drill a total of four exploration wells during the exploration extension period. The four well obligations include the two well commitments under the primary exploration period that carries over to the SEP period. A $10.0 million dollar assessment ($5.0 million dollars net to VAALCO) applies to each of the four commitment exploration wells, if any, that remain undrilled at the end of the exploration period in November 2017. In the first quarter of 2015, we drilled an unsuccessful exploratory well on the Kindele prospect, a post-salt objective. At September 30, 2015, the $15.0 million included in long-term restricted cash on our balance sheet is related to the remaining 3-well commitment under the offshore Angola exploration agreement.

The exploratory well on the Kindele prospect was drilled in the first quarter of 2015, and while thick, well-developed sands were encountered in the primary objectives, the sands were determined to be water-bearing, and the well was plugged and abandoned. Accordingly, we charged $27.2 million to exploration expense in the first quarter of 2015 for the well and related unproved leasehold impairment.

Equatorial Guinea

*Offshore*

VAALCO has a 31% working interest in a portion of Block P, offshore Equatorial Guinea, which was acquired for $10.0 million in 2012 primarily for the exploration potential on the block. Prior to our acquisition in the block, two oil discoveries had been made on the block, establishing a development and production area in the block (the "PDA"). At the time the PDA was established, the block was divided into PDA and non-PDA portions, and we do not have a participating interest in the non-PDA portion of the block. VAALCO continues to work with the Ministry of Mines, Industry and Energy and GEPetrol, the current block operator, on a revised joint operating agreement which we expect will name VAALCO as operator. We and our partners are also working on timing and budgeting for development and exploration activities in the PDA, including the approval of a development and production plan. Development project economics are being re-evaluated considering the continued depressed oil prices and the expected decrease in development costs associated with the fall in oil prices. The production sharing contract covering the PDA provides for a development and production period of twenty-five years from the date of approval of a development and production plan.

United States

VAALCO operates two producing wells in the Granite Wash formation in Texas and has a leasehold position in Montana. Due to the sustained low oil prices, we charged approximately $0.6 million of our $1.2 million undeveloped leasehold position in Montana to exploration expense in the nine months ended September 30, 2015. We also own minor interests in conventional production activities as a non-operator in the United States. During the nine months ended September 30, 2015, we sold certain of these minor interests for $0.4 million.

CAPITAL RESOURCES AND LIQUIDITY

Cash Flows

Our cash flows for the nine months ended September 30, 2015 and 2014 are as follows:

| *(in thousands)* | Nine Months Ended September 30, 2015 | 2014 | Increase/ (Decrease) |
|---|---|---|---|
| Net cash provided by operating activities | $ 37,519 | $ 54,754 | $ (17,235) |
| Net cash used in investing activities | (66,321) | (68,039) | 1,718 |
| Net cash provided by financing activities | 452 | 16,254 | (15,802) |
| Net change in cash and cash equivalents | $ (28,350) | $ 2,969 | $ (31,319) |

The decrease in net cash from operating activities was primarily related to the significantly lower crude oil prices in 2015, which reduced net income.

Property and equipment expenditures are our most significant investing activities. During the nine months ended September 30, 2015, these expenditures on a cash basis were $72.2 million compared to $68.1 million in the same period of 2014. These cash property and equipment expenditures are included in capital expenditures. See "Capital Expenditures" below for further discussion. In addition, restricted cash decreased by $5.5 million during the nine months ended September 30, 2015, primarily as a result of fulfilling the commitment for one of the four exploration wells in Angola.

Net cash provided by financing activities of $0.5 million in the nine months ended September 30, 2015 related to stock option exercises. This compares to $16.3 million provided by financing activities in the nine months ended September 30, 2014 which is primarily related to borrowings under the IFC facility.

*Capital Expenditures*

During the nine months ended September 30, 2015, our capital expenditures (on an accrual basis), including dry hole costs expended in the period, were $75.4 million compared to $65.9 million in the same period of 2014. The difference between capital expenditures and the property and equipment expenditures reported in the Condensed Consolidated Statement of Cash Flows is attributable to changes in accruals for costs incurred but not yet invoiced or paid on the report date. Capital expenditures in 2015 were primarily associated with the drilling of four development wells offshore Gabon and the unsuccessful exploratory Kindele well offshore Angola. Capital expenditures in 2014 were primarily associated with the construction of the two new platforms offshore Gabon. We began drilling the North Tchibala 2-H in September 2015 and results are expected before year end. Our net share of capital expenditures is expected to be $10.0 million to $11.0 million in the fourth quarter of 2015.

Liquidity

*Credit Facility*

Historically, our primary sources of capital have been cash flows from operating activities and cash balance on hand. We also have access to capital through the IFC credit facility, as well as future sales of our debt and equity securities.

We have a $65.0 million revolving credit facility with the IFC credit facility, which is secured by the assets of our Gabon subsidiary, VAALCO Gabon (Etame), Inc. In May 2015, the IFC credit facility was amended to remove the affirmative covenant that we

maintain a debt to equity ratio at or below that of 60:40, which lifted a restriction on borrowing capacity. Borrowings outstanding under the IFC credit facility were $15.0 million as of September 30, 2015, and are due in full upon maturity in December 2019 at which point it can be extended or converted to a term loan. Under the IFC credit facility we are required to maintain the ratio of net debt to earnings before interest, tax, depreciation and amortization, and exploration expenses (EBITDAX), for the 12 trailing months ended on the most recent quarter end date, at less than 3:1. We were in compliance with all financial covenants at September 30, 2015.

The borrowing base under the IFC credit facility is based upon our proved reserves and risk adjusted probable reserves and is re-determined semi-annually by the IFC. In addition, the borrowing base may be adjusted pursuant to certain non-scheduled re-determinations. As a result of the borrowing base redetermination as of June 30, 2015, our borrowing capacity was reaffirmed at the full $65 million level, the maximum capacity under the facility; therefore $50 million is available for borrowing at September 30, 2015.

Amounts outstanding under the IFC Loan bear interest at the London InterBank Offered Rate ("LIBOR") plus 3.75% for the senior tranche and LIBOR plus 5.75% for the subordinated tranche. We are also required to pay a commitment fee in respect of unutilized commitments, which is equal to 1.5% on the senior tranche and 2.3% on the subordinated tranche.

At September 30, 2015, we had unrestricted cash of $ 40.7 million. We believe that this cash, combined with cash flow from operations will be sufficient to fund our remaining 2015 capital expenditure budget, which in total for the year is expected to be in the range of $83 million to $86 million, and any additional working capital requirements resulting from potential growth. As operator of the Etame Marin and Mutamba Iroru blocks in Gabon, and Block 5 in Angola, we enter into project related activities on behalf of our working interest partners. We generally obtain advances from partners prior to significant funding commitments.

Through April 2015, we sold our crude oil production from Gabon using an agency model under a contract with a third party to sell, based on a fixed barrel fee, on the spot market. We currently sell our crude oil production from Gabon under a term contract with pricing based upon an average of Dated Brent in the month of lifting, adjusted for location and market factors, that ends in July 2016. Domestic operated production in Texas is sold via two contracts, one for oil and one for gas and natural gas liquids. We have access to several alternative buyers for oil, gas, and natural gas liquids domestically.

*Share Repurchase*

On August 4, 2015, we announced that our Board of Directors authorized a share repurchase program allowing us to repurchase up to approximately 5.8 million shares of our common stock through February 3, 2017. Under the share repurchase program, the common stock could be purchased on the open market, in privately negotiated transactions or otherwise in compliance with all of the conditions of Rule 10b-18 under the Securities Exchange Act of 1934, as amended. The timing of the common stock repurchased will be at the discretion of management and will depend on a number of factors, including price, market conditions and regulatory requirements. We retain the right to limit, terminate or extend the share repurchase program at any time without prior notice. Payment for shares repurchased under the program will be from cash on hand. No purchases were made under this share repurchase program in the quarter ended September 30, 2015.

OFF-BALANCE SHEET ARRANGEMENTS

Our guarantee of the offshore Gabon FPSO lease has $158 million in remaining minimum obligations for the gross amount of charter payments at September 30, 2015. There have been no other changes to our off-balance sheet arrangements since December 31, 2014.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

Refer to Note 11 to the condensed consolidated financial statements for discussion of changes in leases related to rig commitments and updates on other significant contractual commitments.

CRITICAL ACCOUNTING POLICIES

There have been no changes to our critical accounting policies subsequent to December 31, 2014.

NEW ACCOUNTING STANDARDS

See Note 2 to the condensed consolidated financial statements.

RESULTS OF OPERATIONS

Three and nine months ended September 30, 2015 compared to the three and nine months ended September 30, 2014

We reported net losses for the three and nine months ended September 30, 2015 of $33.7 million and $77.9 million compared to net income of $3.1 million and $20.8 million for the same periods of 2014. The net loss in 2015 is primarily attributable to decreased revenues resulting from the severe decline in oil prices, the increase in exploration expense related to the unsuccessful exploration well drilled in Angola in the first quarter of 2015, the third quarter 2015 write-off of $9.2 million of exploratory well costs related to the N'Gongui No. 2 discovery that had been capitalized pending the determination of proved reserves, and non-cash proved property impairments in the Etame Marin block offshore Gabon in all quarters of 2015. Our realized oil prices in the 2015 periods are approximately half what they were in the same periods of 2014. Further discussion of results by significant income line item follows.

*Oil and gas revenues* decreased $6.9 million and $41.7 million in the three and nine months ended September 30, 2015 compared to the same periods of 2014. The decrease in revenue is primarily related to significantly lower realized oil prices, which are due to decreases in the Dated Brent market price and an adverse increase in marketing differentials for our crude.

The revenue changes in the three and nine months ended September 30, 2015 identified as related to changes in price or volume are shown in the table below:

| *(in thousands)* | Three Months | Nine Months |
|---|---|---|
| Price | $ (13,134) | $ (53,630) |
| Volume | 6,194 | 11,893 |
| | $ (6,940) | $ (41,737) |

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Gabon net oil production (MBbls) | 431 | 358 | 1,215 | 1,085 |
| Gabon net oil sales (MBbls) | 396 | 255 | 1,223 | 989 |
| USA net oil sales (MBbls) | 1 | 1 | 4 | 3 |
| Net oil sales (MBbls) | 397 | 256 | 1,227 | 992 |
| Net gas sales (MMcf) | 53 | 55 | 146 | 181 |
| Net oil equivalents (MBOE) | 406 | 265 | 1,251 | 1,022 |
| Average realized oil price ($/Bbl) | $ 43.97 | $ 94.67 | $ 51.02 | $ 104.68 |
| Average realized gas price ($/Mcf) | 2.75 | 4.62 | 2.74 | 4.66 |
| Weighted average realized price ($/BOE) | 43.37 | 92.35 | 50.35 | 102.42 |
| Average Europe Brent spot* ($/Bbl) | 50.44 | 101.90 | 55.08 | 106.56 |

*Average of daily Europe Brent spot prices posted on the U.S. Energy Information Administration website.

Crude oil sales are a function of the number and size of crude oil liftings in each quarter from the FPSO, and thus crude oil sales do not always coincide with volumes produced in any given quarter. We made three and eight liftings in the three and nine months ended September 30, 2015, while we made two and seven liftings in the same periods of 2014. Our share of oil inventory aboard the FPSO, excluding royalty barrels, was approximately 55,000 and 117,000 barrels at September 30, 2015 and 2014.

*Production expenses* increased $0.7 million and $5.0 million in the three and nine months ended September 30, 2015 compared to the same periods of 2014. Overall production expenses are higher as a result of having two additional platforms operating during the period and as a result of increased production volumes, partially offset by a decrease in the domestic market obligation. The domestic market obligation is a required subsidy paid to the Gabonese government to help fund the country's refinery needs. Production expenses in the nine months ended September 30, 2015 are also higher because the first quarter of 2015 included expenses of $1.4 million related to preconstruction costs for a centralized processing facility to remove $H_2S$ from the sour production on the block.

*Exploration expense* increased $8.4 million and $22.4 million in the three and nine months ended September 30, 2015 compared to the same periods of 2014. During the three months ended September 30, 2015, we charged to dry hole costs $9.2 million of exploratory well costs incurred in 2012 related to the N'Gongui No. 2 discovery that had been capitalized pending the determination of proved reserves. The following table shows exploration expense in detail. Differences in dry hole costs are the primary reason for higher exploration expenses in the nine months ended September 30, 2015. Exploration expense was primarily comprised of the unsuccessful exploratory well offshore Angola in 2015 and the unsuccessful exploratory well offshore Gabon in 2014.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| *(in thousands)* | 2015 | 2014 | 2015 | 2014 |
| Exploration expenses: | | | | |
| Dry hole costs | $ 8,977 | $ - | $ 33,502 | $ 11,700 |
| Unproved leasehold impairment | - | 1 | 3,346 | 1,573 |
| Seismic | 13 | 562 | 625 | 1,446 |
| Other | 17 | 35 | 106 | 494 |
| Total exploration expenses | $ 9,007 | $ 598 | $ 37,579 | $ 15,213 |

*Depreciation, depletion and amortization ("DD&A") expenses* increased $4.0 million and $8.0 million in the three and nine months ended September 30, 2015 compared to the same periods of 2014. Higher oil sales volumes in both the three and nine months of 2015 impacted the increase for the periods. With the completion of the 12-H well in Etame in the three months ended June 30, 2015, the remaining Etame platform costs were added to the depletable costs, increasing our rate of depletion per barrel in the second and third quarters of 2015. Also included in DD&A for the three months ended September 30, 2015 is the correction of an immaterial error of $0.9 million related to the first and second quarters of 2015. This reduction is further discussed in Note 1 to the condensed consolidated financial statements.

*General and administrative expenses* decreased $0.2 million and increased $0.8 million in the three and nine months ended September 30, 2015 compared to the same periods of 2014. The increase in general and administrative expense for the nine-month periods was primarily related to increased stock compensation and professional fees.

*Other costs and expenses* for the three months ended September 30, 2015 and 2014 are allowances for Value Added Tax ("VAT") which the government of Gabon is required to reimburse but has not reimbursed.

*Impairment of proved properties* is discussed in detail in Note 4 to the unaudited condensed consolidated financial statements. Declining forecasted oil prices in 2015 caused us to perform impairment reviews of our proved properties in each of the quarters of 2015 for the five fields comprising the Etame Marin block offshore Gabon and the for Hefley field in North Texas. For the three and nine months ended September 30, 2015, the impairments of proved properties were $18.0 million and $29.2 million. As discussed further in Notes 1 and 4 to the condensed consolidated financial statements, the impairment includes a charge of $4.5 million and $7.0 million for the three and nine months ended September 30, 2015 which is for the correction of a prior period immaterial error which caused the impairments to be understated.

*Interest expense* increased $0.5 million and $1.1 million in the three and nine months ended September 30, 2015. All interest expense incurred on the IFC credit facility was capitalized in the three and nine months ended September 30, 2014, while only a portion of the interest expense incurred could be capitalized in the same periods of 2015. See Note 9 to the unaudited condensed consolidated financial statements for further discussion of interest expense.

*Other, net* consists primarily of foreign currency gains (losses). Because the U.S. dollar has strengthened in 2015, net gains are reported for the three and nine months ended September 30, 2015.

*Income tax expense* decreased $1.1 million and $8.6 million in the three and nine months ended September 30, 2015 compared to the same periods of 2014. In all periods presented, all income taxes were paid in Gabon. Income taxes paid to the government of Gabon are a function of taxation on the remaining profit oil value after deducting the royalty and the cost oil values. The decrease in income tax expenses was primarily associated with the decrease in revenue due to the lower realized prices.

**ITE M 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

MARKET RISK

We are exposed to market risk, including the effects of adverse changes in commodity prices, foreign exchange rates and interest rates as described below.

FOREIGN EXCHANGE RISK

Our results of operations and financial condition are affected by currency exchange rates. While oil sales are denominated in U.S. dollars, portions of our costs in Gabon and Angola are denominated in the respective local currency. A weakening U.S. dollar will have the effect of increasing costs while a strengthening U.S. dollar will have the effect of reducing costs. The Gabon local currency is tied to the Euro. The exchange rate between the Euro and the U.S. dollar has fluctuated widely in response to international political conditions, general economic conditions and other factors beyond our control. The exchange rate between the Angola local currency and the U.S. dollar has fluctuated for similar reasons, with the Angola local currency devaluing over recent quarters.

INTEREST RATE RISK

The floating rate on our IFC credit facility exposes us to risks associated with changes in interest rates and as such, future earnings are subject to change due to changes in this interest rate. At September 30, 2015, we have borrowed $15.0 million under the IFC credit facility. Fluctuations in floating interest rates will cause our interest costs to fluctuate. During three and nine months ended September 30, 2015, the average effective interest rate on our debt, excluding commitment fees, was 4.0%. If the balance of the debt at September 30, 2015 were to remain constant, a 1% change in market interest rates would impact our cash flow by an estimated $150,000 per year.

COMMODITY PRICE RISK

Our major market risk exposure continues to be the prices received for our oil and gas production. Sales prices are primarily driven by the prevailing market prices applicable to our production. Market prices for oil and gas have been volatile and unpredictable in recent years, and this volatility is expected to continue in the future. Beginning in the third quarter of 2014, the prices for oil and natural gas began a dramatic decline, and current prices are significantly less than they have been over the last several years. Sustained low oil and gas prices could have a material adverse effect on our financial condition, the valuation of our proved reserves and the borrowing base under our IFC credit facility. Were oil sales to remain constant at the most recently quarterly sales volumes of 397 MBbls, a $5

per Bbl decrease in oil price would be expected to cause a $2.0 million per quarter ($8.0 million annualized) reduction in revenues and operating income (loss) and a $1.8 million per quarter ($7.0 million annualized) reduction in net income (loss).

We had no commodity price derivatives in place as of the date of this report, or throughout 2015 and 2014.

**ITEM 4. CONTROLS AND PROCEDURES**

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in the reports we file or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated our management, including the principal executive officer and principal financial officer to allow timely decisions regarding required disclosure. Our management, including the principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this Quarterly Report on Form 10-Q. As described in the Annual Report on Form 10-K for the year ended December 31, 2014, material weaknesses were identified in our internal control over financial reporting related to (1) internal control over the preparation and review of the impairment evaluation of oil and gas properties and (2) the control environment, risk assessment and internal controls over financial reporting due to insufficient financial reporting resources. Based on that evaluation, our principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures were not effective as of the end of the period covered by this Quarterly Report on Form 10-Q as a result of these material weaknesses.

In response to the identified material weaknesses, our management, with oversight from our Audit Committee, is taking certain actions to remediate the material weaknesses described above. In March 2015, we hired an experienced corporate controller to fill a vacancy created during the fourth quarter of 2014. In connection with the Form 10-Q for the June 30, 2015 period, our management redesigned controls over management's review of the evaluation of impairment testing of oil and gas properties to address the associated risks and further expanded the procedures for reviewing data used as inputs into the oil and gas properties impairment calculation. In addition, our management has executed a plan to manage the impact of personnel turnover by enhancing the business understanding and relevant knowledge possessed by those responsible for ensuring proper management review and effective financial reporting controls.

Management is committed to improving our internal control processes and believes that the measures described above should remediate the material weaknesses identified and strengthen internal control over financial reporting. As we continue to evaluate and improve internal control over financial reporting, additional measures to remediate the material weaknesses or modifications to certain of the remediation procedures described above may be necessary. We expect to complete the required remedial actions during fiscal year 2015. While senior management and our Audit Committee are closely monitoring the implementation of these remediation plans, we cannot provide any assurance that these remediation efforts will be successful or that internal control over financial reporting will be effective as a result of these efforts. Until the remediation steps set forth above are fully implemented and operating for a sufficient period of time, the material weaknesses described above will continue to exist.

Except for the activities taken related to the remediation of the material weakness described above, there were no changes in our internal controls over financial reporting that occurred during three months ended September 30, 2015 that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

**PART II. OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

We are subject to litigation claims and governmental and regulatory proceedings arising in the ordinary course of business. It is management's opinion that all claims and litigation we are involved in are not likely to have a material adverse effect on our consolidated financial position, cash flows or results of operations.

**ITEM 1A. RISK FACTORS**

Our business faces many risks. Any of the risks discussed elsewhere in this Form 10-Q and our other SEC filings could have a material impact on our business, financial position or results of operations. Additional risks and uncertainties not presently know to us or that we currently believe to be immaterial may also impair our business operations.

For a discussion of our potential risks and uncertainties, see the information in Item 1A "Risk Factors" in our 2014 Annual Report on Form 10-K and our Quarterly Report on Form 10-Q for the quarter ending March 31, 2015. Except for the risk factor set forth below, there have been no material changes in our risk factors from those described in our 2014 Annual Report and our Quarterly Report on Form 10-Q for the quarter ending March 31, 2015.

***If the assumptions underlying our accruals for abandonment costs are too low, we could be required to expend greater amounts than expected.***

Almost all of our producing properties are located offshore. The costs to abandon offshore wells may be substantial. For financial accounting purposes, we record the fair value of a liability for an asset retirement obligation on the balance sheet in the period in which it is incurred by capitalizing it as part of the carrying amount of the long-lived assets. The estimated liability is reflected as Asset retirement obligation in the balance sheets. In 2011, as part of securing the first of two five-year extensions, to the Etame field

production license, we agreed to a cash funding arrangement for the eventual abandonment of all offshore wells, platforms and facilities on the Etame Marin Block. On an annual basis over the remaining life of the production license, we fund a portion of these estimated abandonment costs. The amount of cash funded through the end of a period is reflected separately from the asset retirement obligation under other long term assets as "Abandonment funding" and is non-refundable to us.

We are required under the Etame production sharing contract to conduct regular abandonment studies to update the amounts being funded for the eventual abandonment of the offshore wells, platforms and facilities on the Etame Marin Block. In September 2015, we commissioned a new abandonment study. Due to two new platforms and to the development wells drilled since the prior study, the final results of the abandonment study will result in an increase in the amounts necessary to fund future abandonment obligations. We will be required to expend greater amounts than are currently being funded, which may have an adverse effect on our cash flow. Additionally, no assurances can be given that future cash flows from our reserves will be sufficient to cover such costs as they are incurred in the future. Initial indications from the third-party performing the study show that estimated costs have increased This would increase the abandonment estimate used for funding purposes from the $10.1 million net to VAALCO on an undiscounted basis currently used to between $14.0 million and $28.0 million, and in turn the annual abandonment requirements for 2015 through 2021 are expected to increase bybetween $0.6 million and $2.5 million.

***The Group 42-BLR Group consent solicitation will likely be disruptive and costly, and the possibility that the consent solicitation could result in the replacement of a majority of the members of our Board of Directors could cause uncertainty about the direction of our business.***

The Group 42-BLR Group consent solicitation will likely be costly and time-consuming, disrupt our operations and divert the attention of management and our employees from executing our strategic plan. Perceived uncertainties as to our future direction as a result of changes to the composition of the Board of Directors may lead to the perception of a change in the direction of the business, instability or lack of continuity which may be exploited by our competitors, cause concern to the governments of the countries in which we operate and to our current or potential clients, and make it more difficult to attract and retain qualified personnel. The impact of the Group 42-BLR Group consent solicitation due to these or other factors may undermine our business and have a material adverse effect on our results of operations.

**ITE M 6. EXHIBITS**

(a) **Exhibits**

| | |
|---|---|
| 3.1 | Certificate of Incorporation as amended through May 7, 2014 (filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed on November 10, 2014, and incorporated herein by reference). |
| 3.2 | Second Amended and Restated Bylaws (filed as Exhibit 3.2 to the Company's Current Report on Form 8-K filed on September 28, 2015, and incorporated herein by reference). |
| 3.3 | Certificate of Designations of Series A Junior Participating Preferred Stock of VAALCO Energy, Inc.(filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed on September 28, 2015, and incorporated herein by reference). |
| 4.1 | Rights Agreement dated as of September 26, 2015 between VAALCO Energy, Inc. and Computershare Trust Company, N.A., as Rights Agent (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on September 28, 2015, and incorporated herein by reference). |
| 10.1* | Employment Agreement between the Company and Cary Bounds (filed as Exhibit 10.1 to the Company's Current report on Form 8-K filed on July 1, 2015, and incorporated herein by reference). |
| 10.2* | Amended and Restated Executive Employment Agreement, effective September 29, 2015, between VAALCO Energy, Inc. and Steven P. Guidry. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 2, 2015, and incorporated herein by reference). |
| 10.3*(a) | Employment Agreement, effective October 12, 2015, between VAALCO Energy, Inc. and Gayla M. Cutrer |
| 10.4*(a) | Employment Agreement, effective November 1, 2015, between VAALCO Energy, Inc. and Don O. McCormack |
| 31.1(a) | Sarbanes-Oxley Section 302 certification of Principal Executive Officer. |
| 31.2(a) | Sarbanes-Oxley Section 302 certification of Principal Financial Officer. |
| 32.1(b) | Sarbanes-Oxley Section 906 certification of Principal Executive Officer. |
| 32.2(b) | Sarbanes-Oxley Section 906 certification of Principal Financial Officer. |
| 101.INS(a) | XBRL Instance Document. |
| 101.SCH(a) | XBRL Taxonomy Schema Document. |
| 101.CAL(a) | XBRL Calculation Linkbase Document. |
| 101.DEF(a) | XBRL Definition Linkbase Document. |
| 101.LAB(a) | XBRL Label Linkbase Document. |
| 101.PRE(a) | XBRL Presentation Linkbase Document. |

(a) Filed herewith

(b) Furnished herewith

* Management contract or compensatory plan or arrangement

**SIGNATURE**

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

VAALCO ENERGY, INC.
(Registrant)

:
By /s/ Elizabeth D. Prochnow
**Elizabeth D. Prochnow**
**Chief Accounting Officer**
(on behalf of the Registrant and as the principal accounting officer)

Dated: November 9, 2015

## EXHIBIT INDEX

**Exhibits**

| | |
|---|---|
| 3.1 | Certificate of Incorporation as amended through May 7, 2014 (filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed on November 10, 2014, and incorporated herein by reference). |
| 3.2 | Second Amended and Restated Bylaws (filed as Exhibit 3.2 to the Company's Current Report on Form 8-K filed on September 28, 2015, and incorporated herein by reference). |
| 3.3 | Certificate of Designations of Series A Junior Participating Preferred Stock of VAALCO Energy, Inc.(filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed on September 28, 2015, and incorporated herein by reference). |
| 4.1 | Rights Agreement dated as of September 26, 2015 between VAALCO Energy, Inc. and Computershare Trust Company, N.A., as Rights Agent (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on September 28, 2015, and incorporated herein by reference). |
| 10.1* | Employment Agreement between the Company and Cary Bounds (filed as Exhibit 10.1 to the Company's Current report on Form 8-K filed on July 1, 2015, and incorporated herein by reference). |
| 10.2* | Amended and Restated Executive Employment Agreement, effective September 29, 2015, between VAALCO Energy, Inc. and Steven P. Guidry. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 2, 2015, and incorporated herein by reference). |
| 10.3*(a) | Employment Agreement, effective October 12, 2015, between VAALCO Energy, Inc. and Gayla M. Cutrer |
| 10.4*(a) | Employment Agreement, effective November 1, 2015, between VAALCO Energy, Inc. and Don O. McCormack |
| 31.1(a) | Sarbanes-Oxley Section 302 certification of Principal Executive Officer. |
| 31.2(a) | Sarbanes-Oxley Section 302 certification of Principal Financial Officer. |
| 32.1(b) | Sarbanes-Oxley Section 906 certification of Principal Executive Officer. |
| 32.2(b) | Sarbanes-Oxley Section 906 certification of Principal Financial Officer. |
| 101.INS(a) | XBRL Instance Document. |
| 101.SCH(a) | XBRL Taxonomy Schema Document. |
| 101.CAL(a) | XBRL Calculation Linkbase Document. |
| 101.DEF(a) | XBRL Definition Linkbase Document. |

(a) Filed herewith

(b) Furnished herewith

* Management contract or compensatory plan or arrangement

# EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "**Agreement**"), effective as of October 12, 2015 (the "**Effective Date**"), is made and entered into by and between VAALCO Energy, Inc., a Delaware corporation (hereafter "**Company**") and Gayla Cutrer (hereafter "**Executive**"). The Company and Executive may sometimes hereafter be referred to singularly as a "**Party**" or collectively as the "**Parties**."

**W I T N E S S E T H:**

WHEREAS, the Company desires to continue to secure the employment services of Executive subject to the terms and conditions hereafter set forth; and

WHEREAS, Executive is willing to enter into this Agreement upon the terms and conditions hereafter set forth;

NOW, THEREFORE, in consideration of Executive's employment with the Company, and the mutual promises, covenants and obligations contained herein, the Parties hereby agree as follows:

## ARTICLE 1

## EMPLOYMENT AND DUTIES

**1.1 Definitions**. In addition to the terms defined in the text hereof, terms with initial capital letters as used herein have the meanings assigned to them, for all purposes of this Agreement, in the Definitions Appendix hereto, unless the context reasonably requires a broader, narrower or different meaning. The Definitions Appendix, as attached hereto, is part of this Agreement and incorporated herein.

**1.2 Employment; Effective Date**. Effective as of the Effective Date and continuing for the Employment Period (as defined in Section 2.1), the Executive's employment by the Company shall be subject to the terms and conditions of this Agreement.

**1.3 Positions**. As of the Effective Date, the Executive will continue to serve as the Executive Vice President of the Company. Executive shall be subject to direction, oversight and supervision provided by the CEO or the Board.

Beginning effective November 1, 2015 (the "***Status Change Date***") through the Termination Date as defined in Section 2.1 (the "***Transition Period***"), Employee shall be considered a full-time employee of the Company but is only required to work in the Company's offices at least twenty percent (20%) of her previous normal work schedule for the Company, as such schedule was effective immediately prior to the Status Change Date (unless otherwise mutually agreed between the Employee and Company), and be available on request by telephone for the remainder of her previous normal work schedule. During the Transition Period while still employed by the Company, Employee shall (a) be entitled to receive her salary and benefits as in effect immediately prior to the Status Change Date, and (b) perform such job duties as are directed by the CEO or the Board, including, without limitation, providing training and other

assistance to any Person who is assuming any of her job duties for the Company or any of its Affiliates after the Transition Period.

**1.4 Duties and Services**. The Executive agrees to serve in the position referred to in Section 1.3, and to perform diligently and to the best of her abilities the duties and services appertaining to such position, as well as such additional duties and services that are assigned to her by the CEO and/or Board. The Executive's employment shall also be subject to the policies maintained and established by the Company from time to time, as the same may be amended or otherwise modified by the Company in its discretion.

Executive shall at all times use her best efforts to in good faith comply with United States and foreign laws applicable to Executive's actions on behalf of the Company and its Affiliates. Executive understands and agrees that she may be required to travel at times for purposes of the Company's business.

**1.5 Other Interests**. The Executive agrees that, during the Employment Period, she will devote her primary business time, energy and best efforts to the business and affairs of the Company and its Affiliates, and not to engage, directly or indirectly, in any other business or businesses, whether or not similar to that of the Company or an Affiliate, except with the consent of the CEO or the Board.

**1.6 Duty of Loyalty**. The Executive acknowledges and agrees that she owes a fiduciary duty of loyalty, fidelity, and allegiance to use her best efforts to act at all times in the best interests of the Company and its Affiliates. In keeping with these duties, the Executive shall make full disclosure to the Company of all business opportunities pertaining to the Company's business, and she shall not appropriate for her own benefit any business opportunity concerning the subject matter of such fiduciary relationship.

## ARTICLE 2

## TERM AND TERMINATION OF EMPLOYMENT

**2.1 Term of Employment**. Unless sooner terminated by either Party, the Company agrees to continue to employ the Executive for the period beginning on the Effective Date and ending on January 2, 2016 (the "Term of Employment"). The Company and Executive shall each have the right to give a notice of termination at will, with or without cause, at any time, subject to the terms and conditions of this Agreement regarding the rights and duties of the Parties upon termination of employment.

The entire period from the Effective Date through the date of Executive's termination of employment with the Company for whatever reason (the "**Termination Date**"), shall be referred to herein as the "**Employment Period**."

**2.2 Notice of Termination**. If the Company or the Executive desires to terminate the Executive's employment hereunder at any time for any reason, such Party shall do so by giving written notice of termination to the other Party; provided, however, that no such action shall amend any provision of this Agreement without the consent of each Party.

**2.3 Resignations**. Upon the termination of the Executive's employment hereunder for any reason, unless otherwise requested by the CEO or the Board, Executive shall immediately resign from all officer positions and all boards of directors or committees of the Company or any Affiliates of which she is a member. The Executive hereby agrees to execute any and all documentation of such resignations upon request by the Company, but she shall be treated for all purposes as having so resigned upon termination of her employment, regardless of when or whether she executes any such documentation.

## ARTICLE 3

## COMPENSATION AND BENEFITS

**3.1 Base Salary**. During the Employment Period, the Executive shall receive a base salary of $25,011 per month, which shall be prorated for any period of less than one month (the "Base Salary"). The Base Salary shall be paid in installments in accordance with the Company's standard payroll policy.

**3.2 Annual Bonuses**. For the 2015 calendar year during the Employment Period, the Executive shall be eligible to receive an annual cash bonus (the "2015 Annual Bonus") under the Company's annual incentive cash bonus plan for executives (the "2015 Bonus Plan"), in an amount and at a time to be determined by the Compensation Committee, based on the corporate performance goals established by the Compensation Committee, in its discretion, at the start of the year pursuant to the terms of the 2015 Bonus Plan. Under the 2015 Bonus Plan, Executive's 2015 Annual Bonus shall equal fifty percent (50%) of the Executive's 2015 annual base salary multiplied by the greater of (a) seventy-five percent (75%) and (b) the percentage established by the Compensation Committee as the Company's corporate performance under the 2015 Bonus Plan.

In the event that the Employment Period ends before December 31, 2015, Executive shall be entitled to a prorata portion of the 2015 Annual Bonus, as calculated in the prior paragraph.

**3.3 Equity Awards after the Effective Date**. During the Employment Period on and after the Effective Date, the Executive shall not be eligible for any new grants of restricted stock awards, restricted stock units, stock options or other equity incentive awards from the Company.

**3.4 Business and Entertainment Expenses**. Subject to the Company's standard policies and procedures with respect to expense reimbursement as applied to its executives generally, the Company shall reimburse the Executive for, or pay on behalf of the Executive, the reasonable and appropriate expenses that are incurred by the Executive in furtherance of the Company's business.

**3.5 Vacation**. During the Term of Employment, the Executive shall be entitled to use her remaining accrued but unused days of paid vacation for the remainder of the 2015 calendar year, in accordance with the Company's vacation policy, and any accrued but unused days of paid vacation remaining at December 31, 2015 shall be handled in accordance with the Company's vacation policy. Executive shall not be entitled to any paid vacation days for the 2016 calendar year.

**3.6 Employee and Executive Benefits Generally**. During the Employment Period, the Executive shall be eligible for participation in the employee and fringe benefits plans and programs that Company provides generally to its employees, including without limitation, retirement, medical, dental, disability and life insurance plans, as in effect from time to time; provided, however, that the Executive acknowledges and agrees that she shall not be a participant in, and she hereby waives any right to participate in, any severance plan (as the same may be amended from time to time) that generally covers the employees of the Company or its Affiliates.

## ARTICLE 4

RIGHTS AND PAYMENTS UPON TERMINATION

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**4.1 Rights and Payments upon Termination**. Executive's right to compensation and benefits for periods after the date on which her employment terminates with the Company and all Affiliates (the "Termination Date") shall be determined in accordance with the Confidential Separation and Release Agreement (the "Separation Agreement"), as set out in Appendix B hereto.

**4.2 No Duplication of Severance Benefits**. Notwithstanding Section 4.1, if Executive receives or is entitled to receive any severance benefit under any change of control or severance benefits plan, policy, or agreement of the Company or any Affiliate, the amount payable under the Separation Agreement to or on behalf of Executive shall be offset by such other severance benefits payable to or on behalf of Executive.

**4.3 Separation Agreement**. In order to receive the termination benefits described in the Separation Agreement following the Termination Date, Executive must first execute the Separation Agreement in substantially the same form as attached hereto as Appendix B, together with any changes thereto that the Company and Executive mutually deem to be necessary or appropriate to satisfy any applicable law or regulation.

No termination benefits shall be payable or provided by the Company under the Separation Agreement unless and until the Separation Agreement has been executed by Executive, has not been revoked, and is no longer subject to revocation by Executive. In addition, Executive shall not be entitled to receive any termination benefits as provided under the Separation Agreement if she is terminated for theft, intentional misconduct or gross negligence in the performance of her duties for the Company or its Affiliate.

## ARTICLE 5

## CONFIDENTIAL INFORMATION AND RESTRICTIVE COVENANTS

**5.1 Access to Confidential Information**. In connection with her employment and continuing on an ongoing basis during the Employment Period, the Company and its Affiliates will give Executive access to Confidential Information, which Executive did not have access to or knowledge of before the Execution Date. Executive acknowledges and agrees that all Confidential Information is confidential and a valuable, special and unique asset of the Company that gives the Company an advantage over its actual and potential, current and future

competitors. Executive further acknowledges and agrees that Executive owes the Company a fiduciary duty to preserve and protect all Confidential Information from unauthorized disclosure or unauthorized use, that certain Confidential Information constitutes "trade secrets" under applicable laws, and that unauthorized disclosure or unauthorized use of any Confidential Information would irreparably injure the Company or its Affiliate.

**5.2 Agreement Not to Use or Disclose Confidential Information**. Both during the term of Executive's employment and after her termination of employment for any reason (including wrongful termination), Executive shall hold all Confidential Information in strict confidence, and shall not use any Confidential Information except for the benefit of the Company or its Affiliates, in accordance with the duties assigned to Executive. Executive shall not, at any time (either during or after the term of Executive's employment), disclose any Confidential Information to any Person (except other Persons who have a need to know the information in connection with the performance of services for the Company or an Affiliate), or copy, reproduce, modify, decompile or reverse engineer any Confidential Information, or remove any Confidential Information from the Company's premises, without the prior written consent of the CEO or the Board, or their delegates, or permit any other Person to do so. Executive shall take reasonable precautions to protect the physical security of all documents and other material containing Confidential Information (regardless of the medium on which the Confidential Information is stored). This agreement and covenant applies to all Confidential Information, whether now known or later to become known to Executive.

The Executive shall hold in a fiduciary capacity for the benefit of the Company and its Affiliates, all Confidential Information that has been obtained by the Executive during her employment, and which is not public knowledge (other than by acts of the Executive or her representatives in violation of this Agreement).

Following the termination of the Executive's employment with the Company for any reason, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by compulsion of law or other legal process, communicate or divulge any Confidential Information to any Person other than to the Company and those designated by it.

The Company has and will disclose to the Executive, or place the Executive in a position to have access to or develop, trade secrets and other Confidential Information of the Company or its Affiliates. As part of the consideration for this Agreement, and to protect the Confidential Information that has been and will in the future be disclosed or entrusted to Executive, the Company and the Executive have agreed to the confidentiality obligations set forth in this Agreement and they also hereby ratify and confirm any other confidentiality policy of the Company that covers Executive.

**5.3 Duty to Return Company Documents and Property**. Upon the termination of Executive's employment with the Company and its Affiliates for whatever reason, Executive shall immediately return and deliver to the Company any and all papers, books, records, documents, memoranda and manuals, e-mail, electronic or magnetic recordings or data, including all copies thereof, belonging to the Company or an Affiliate or relating to their businesses, in Executive's possession or under her control, and regardless of whether prepared by Executive or others.

Within one (1) Business Day after the end of the Employment Period for whatever reason, the Executive shall return to Company all Confidential Information which is in her possession, custody or control. If at any time after the Employment Period, Executive determines that she has any Confidential Information in her possession or under her control, she shall immediately return it to the Company, including all copies (including electronic versions) and portions thereof.

**5.4 Further Disclosure**. Executive shall promptly disclose to the Company all ideas, inventions, computer programs, and discoveries, whether or not patentable or copyrightable, which she may conceive or make, alone or with others, during the Employment Period, whether or not during working hours, and which directly or indirectly:

(a) relate to matters within the scope, field, duties or responsibility of Executive's employment with the Company; or

(b) are based on any knowledge of the actual or anticipated business or interest of the Company; or

(c) are aided by the use of time, materials, facilities or information of the Company.

Executive assigns to the Company, without further compensation, all rights, titles and interest in all such ideas, inventions, computer programs and discoveries in all countries of the world. Executive recognizes that all ideas, inventions, computer programs and discoveries of the type described above, conceived or made by Executive alone or with others within six (6) months after termination of employment (voluntary or otherwise), are likely to have been conceived in significant part either while employed by the Company or as a direct result of knowledge Executive had of Confidential Information. Accordingly, Executive agrees that such ideas, inventions or discoveries shall be presumed to have been conceived during her employment with the Company, unless and until the contrary is clearly established by Executive.

**5.5 Non-Solicitation Restriction**. To protect the Confidential Information, and in the event of Executive's termination of employment for whatever reason, it is necessary to enter into the following restrictive covenants which are ancillary to the enforceable promises between the Company and Executive in this Agreement. Executive hereby covenants and agrees that she will not, directly or indirectly, either individually or on behalf of any other Person, or in any other manner or capacity whatsoever, except on behalf of the Company or an Affiliate, solicit business, or attempt to solicit business, in products or services competitive with any products or services provided by the Company or any Affiliate, from the Company's or Affiliate's partners or clients (or any prospective partner or client) as of the Termination Date, or any other Person with whom the Company or Affiliate did business, or had a business relationship with, within the one (1) year period immediately preceding the Termination Date.

**5.6 No-Recruitment Restriction**. The Executive shall not, directly or indirectly, for herself or any other Person, induce any employee of the Company of any of its Affiliates to terminate his or her employment with the Company or such Affiliates, or hire or assist in the hiring of any such employee by any Person not affiliated with the Company, unless such

employee has terminated employment with the Company and its Affiliates for at least sixty (60) days before such initial solicitation. These nonsolicitation obligations shall apply during the period that the Executive is employed by the Company and during the one-year period commencing on the Termination Date. Notwithstanding the foregoing, the provisions of this Section 5.6 shall not restrict the ability of the Company or its Affiliates to take any action with respect to the employment or the termination of employment of any of its employees, or for the Executive to participate in her capacity as an officer of the Company.

**5.7 Reserved**.

**5.8 Reformation**. It is expressly understood and agreed that the Company and the Executive consider the restrictions contained in this Article 5 to be reasonable and necessary to protect the Confidential Information and the reasonable business interests of the Company or its Affiliates. Nevertheless, if any of the aforesaid restrictions are found by a court having jurisdiction to be unreasonable, or overly broad as to geographic area or time, or otherwise unenforceable, the Parties intend for the restrictions therein set forth to be modified by such court so as to be reasonable and enforceable and, as so modified, to be fully enforced in the geographic area and for the time period to the full extent permitted by law.

**5.9 Conflicts of Interest.** In keeping with her fiduciary duties to Company, Executive hereby agrees that she shall not become involved in a conflict of interest, or upon discovery thereof, allow such a conflict to continue at any time during the Employment Period. Moreover, Executive agrees that she shall abide by the Company's Code of Conduct, as it may be amended from time to time, and immediately disclose to the CEO or Board any known facts which might involve a conflict of interest of which the CEO or Board was not aware.

**5.10 Remedies**. Executive acknowledges that the restrictions contained in this Article 5, in view of the nature of the Company's business, are reasonable and necessary to protect the Company's legitimate business interests, and that any violation of this Agreement would result in irreparable injury to the Company. In the event of a breach or a threatened breach by Executive of any provision of Article 5, the Company shall be entitled to a temporary restraining order and injunctive relief restraining Executive from the commission of any breach, and to recover the Company's attorneys' fees, costs and expenses related to the breach or threatened breach. Nothing contained in this Agreement shall be construed as prohibiting the Company from pursuing any other remedies available to it for any such breach or threatened breach, including, without limitation, the recovery of money damages, attorneys' fees, and costs. These covenants and disclosures shall each be construed as independent of any other provisions in this Agreement, and the existence of any claim or cause of action by Executive against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of such covenants and agreements.

The Executive acknowledges that money damages would not be sufficient remedy for any breach of Article 5 by the Executive, and the Company shall also be entitled to specific performance as an available remedy for any such breach or any threatened breach. The remedies provided in this Section 5.10 shall not be deemed the exclusive remedies for a breach of Article 5, but shall be in addition to all remedies available at law or in equity.

**5.11 No Disparaging Comments**. Executive and the Company shall refrain from any criticisms or disparaging comments about each other or in any way relating to Executive's employment or separation from employment; provided, however, that nothing in this Agreement shall apply to or restrict in any way the communication of information by the Company or any of its Affiliates, or by the Executive, to any state or federal law enforcement agency. The Company and Executive will not be in breach of this covenant solely by reason of testimony or disclosure that is required for compliance with applicable law or regulation or by compulsion of law. A violation or threatened violation of this prohibition may be enjoined by a court of competent jurisdiction. The rights under this provision are in addition to any and all rights and remedies otherwise afforded by law to the Parties.

Executive acknowledges that in executing this Agreement, she has knowingly, voluntarily, and intelligently waived any free speech, free association, free press or First Amendment to the United States Constitution (including, without limitation, any counterpart or similar provision or right under the Texas Constitution or any other state constitution which may be deemed to apply) rights to disclose, communicate, or publish disparaging information or comments concerning or related to the Company or its Affiliate; provided, however, nothing in this Agreement shall be deemed to prevent Executive from testifying fully and truthfully in response to a subpoena from any court or from responding to an investigative inquiry from any governmental agency.

## ARTICLE 6

## GENERAL PROVISIONS

**6.1 Matters Relating to Section 409A of the Code**. If the payment of any compensation or other benefit provided under this Agreement or the Separation Agreement would be subject to additional taxes and interest under Section 409A of the Code ("Section 409A"), then such provision is intended to be written, administered, interpreted and construed in a manner such that no such benefit becomes subject to (a) the gross income inclusion under Section 409A or (b) the interest and additional tax under Section 409A (collectively, "Section 409A Penalties"), including, where appropriate, the construction of defined terms to have meanings that would not cause the imposition of the Section 409A Penalties. If any provision of this Agreement would cause Executive to incur the Section 409A Penalties, the Company may, after consulting with Executive, reform such provision to comply with Section 409A or to preclude imposition of the Section 409A Penalties, to the full extent permitted under Section 409A as determined by the Company.

**6.2 Withholdings; Right of Offset**. The Company may withhold and deduct from any benefits and payments made or to be made pursuant to this Agreement (a) all federal, state, local, foreign, and other taxes as may be required pursuant to any law or governmental regulation or ruling, (b) all other normal employee deductions made with respect to Company's employees generally, and (c) any advances made to Executive and owed to Company.

**6.3 Nonalienation**. The right to receive payments under this Agreement shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge or encumbrance by Executive, her dependents or beneficiaries, or to any other Person who is or

may become entitled to receive such payments hereunder. The right to receive payments hereunder shall not be subject to or liable for the debts, contracts, liabilities, engagements or torts of any Person who is or may become entitled to receive such payments, nor may the same be subject to attachment or seizure by any creditor of such Person under any circumstances, and any such attempted attachment or seizure shall be void and of no force and effect.

**6.4 Incompetent or Minor Payees**. Should the Compensation Committee determine, in its discretion, that any Person to whom any payment is payable under this Agreement has been determined to be legally incompetent or is a minor, any payment due hereunder, notwithstanding any other provision of this Agreement to the contrary, may be made in any one or more of the following ways: (a) directly to such Person; (b) to the legal guardian or other duly appointed personal representative of the individual or the estate of such Person; or (c) to such adult or adults as have, in the good faith knowledge of the Compensation Committee, assumed custody and support of such Person; and any payment so made shall constitute full and complete discharge of any liability under this Agreement in respect to the amount paid.

**6.5 Successors and Assigns**. This Agreement shall be binding upon and inure to the benefit of the Company and any successor of the Company (whether direct or indirect, by purchase, merger, consolidation or otherwise), and this Agreement shall inure to the benefit of and be enforceable by Executive's legal representatives. As used in this Agreement, "Company" shall mean the Company as previously defined and any successor by operation of law or otherwise, as well as any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement. Except as provided in the preceding provisions of this Section 6.5, this Agreement, and the rights and obligations of the Parties hereunder, are personal in nature and neither this Agreement, nor any right, benefit, or obligation of either Party hereto, shall be subject to voluntary or involuntary assignment, alienation or transfer, whether by operation of law or otherwise, without the written consent of the other Party.

**6.6 Notice**. Each Notice or other communication required or permitted under this Agreement shall be in writing and transmitted, delivered, or sent by personal delivery, prepaid courier or messenger service (whether overnight or same-day), or prepaid certified United States mail (with return receipt requested), addressed (in any case) to the other Party at the address for that Party set forth below or under that Party's signature on this Agreement, or at such other address as the recipient has designated by Notice to the other Party.

To the Company: VAALCO Energy, Inc.
9800 Richmond Avenue, Suite 700
Houston, Texas 77042
Attention: Eric J. Christ
Vice President, General Counsel & Corporate Secretary

To Executive: Gayla Cutrer

(as set forth below her signature)

Each Notice or communication so transmitted, delivered, or sent (a) in person, by courier or messenger service, or by certified United States mail (return receipt requested) shall be

deemed given, received, and effective on the date delivered to or refused by the intended recipient (with the return receipt, or the equivalent record of the courier or messenger, being deemed conclusive evidence of delivery or refusal), or (b) by telecopy or facsimile shall be deemed given, received, and effective on the date of actual receipt (with the confirmation of transmission being deemed conclusive evidence of receipt, except where the intended recipient has promptly Notified the other Party that the transmission is illegible). Nevertheless, if the date of delivery or transmission is not a Business Day, or if the delivery or transmission is after 4:00 p.m. (local time at the recipient) on a Business Day, the Notice or other communication shall be deemed given, received, and effective on the next Business Day.

**6.7 Severability**. It is the desire of the Parties hereto that this Agreement be enforced to the maximum extent permitted by law, and should any provision contained herein be held unenforceable by a court of competent jurisdiction, the Parties hereby agree and consent that such provision shall be reformed to create a valid and enforceable provision to the maximum extent permitted by law; provided, however, if such provision cannot be reformed, it shall be deemed ineffective and deleted herefrom without affecting any other provision of this Agreement. This Agreement should be construed by limiting and reducing it only to the minimum extent necessary to be enforceable under then applicable law.

**6.8 No Third-Party Beneficiaries**. This Agreement shall be binding upon and inure to the benefit of the Parties hereto, and to their respective successors and permitted assigns as provided hereunder, but otherwise this Agreement shall not be for the benefit of any Persons who are third parties.

**6.9 Waiver of Breach**. No waiver by either Party of a breach of any provision of this Agreement by the other Party, or of compliance with any condition or provision of this Agreement to be performed by the other Party, will operate or be construed as a waiver of any subsequent breach by the other Party or any similar or dissimilar provision or condition at the same or any subsequent time. The failure of either Party to take any action by reason of any breach will not deprive such Party of the right to take action at any time while such breach continues.

**6.10 Survival of Certain Provisions**. Wherever appropriate to the intention of the Parties, the respective rights and obligations of the Parties hereunder shall survive any termination or expiration of this Agreement and following the Termination Date.

**6.11 Entire Agreement; Amendment and Termination**. This Agreement contains the entire agreement of the Parties with respect to the matters covered herein; moreover, this Agreement supersedes all prior and contemporaneous agreements and understandings, oral or written, between the Parties concerning the subject matter hereof. This Agreement may be amended, waived or terminated only by a written instrument that is identified as an amendment, waiver or termination hereto and that is executed by or on behalf of each Party.

**6.12 Interpretive Matters**. In the interpretation of the Agreement, except where the context otherwise requires:

(a) **Headings.** The Agreement headings are for reference purposes only and will not affect in any way the meaning or interpretation of this Agreement.

(b) The terms "**including**" and "**include**" do not denote or imply any limitation.

(c) The conjunction "**or**" has the inclusive meaning "**and/or**".

(d) The singular includes the plural, and vice versa, and each gender includes each of the others.

(e) The term "**month**" refers to a calendar month.

(f) Reference to any statute, rule, or regulation includes any amendment thereto or any statute, rule, or regulation enacted or promulgated in replacement thereof.

(g) The words "**herein**", "**hereof**", "**hereunder**" and other compounds of the word "**here**" shall refer to the entire Agreement and not to any particular provision;

(h) All amounts referenced herein are in U.S. dollars.

**6.13 Governing Law; Jurisdiction**. All matters or issues relating to the interpretation, construction, validity, and enforcement of this Agreement shall be governed by the laws of the State of Texas, without giving effect to any choice-of-law principle that would cause the application of the laws of any jurisdiction other than Texas. Jurisdiction and venue of any action or proceeding relating to this Agreement shall be exclusively in the federal and state courts of competent jurisdiction in Houston, Texas, and the Parties hereby waive any objection to such venue including, without limitation, that it is inconvenient.

**6.14 Executive Acknowledgment.** Executive acknowledges that (a) she is knowledgeable and sophisticated as to business matters, including the subject matter of this Agreement, (b) she has read this Agreement and understands its terms and conditions, (c) she has had ample opportunity to discuss this Agreement with her legal counsel prior to execution, and (d) no strict rules of construction shall apply for or against the drafter or any other Party. Executive represents that she is free to enter into this Agreement including, without limitation, that she is not subject to any covenant not to compete or other restrictive covenant that would conflict with her employment duties and covenants under this Agreement.

**6.15 Counterparts**. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument. Each counterpart may consist of a copy hereof containing multiple signature pages, each signed by one Party hereto, but together signed by both Parties.

*[Signature page follows.]*

IN WITNESS WHEREOF, Executive has hereunto set her hand and Company has caused this Agreement to be executed in its name and on its behalf by its duly authorized officer, to be effective as of the Effective Date.

**WITNESS**:

Signature: /s/ Jessica Catter

Name: Jessica Catter

Date: October 29, 2015

**EXECUTIVE**:

Signature: /s/ Gayla Cuter

Name: Gayla Cutrer

Date: October 29, 2015

*Executive's Address for Notices:*

Ms. Gayla Cutrer

**ATTEST**:

By: /s/ Jessica Catter

Name: Jessica Catter

Date: October 29, 2015

**COMPANY**:

**VAALCO ENERGY, INC.**

By: /s/ Steven P. Guidry

Name: Steven P. Guidry

Title: Chief Executive Officer

Date: October 29, 2015

**APPENDIX A**

**Definitions Appendix**

1. "Affiliate" has the same meaning ascribed to such term in Rule 12b-2 under the Securities Exchange Act of 1934, as amended from time to time.

2. "Board" means the then-current Board of Directors of the Company.

3. "Business Day" means any Monday through Friday, excluding any such day on which banks are authorized to be closed in Texas.

4. "CEO" means the then-current Chief Executive Officer of the Company.

5. "Code" means the Internal Revenue Code of 1986, as amended.

6. "Compensation Committee" means the then-current Compensation Committee of the Board.

7. "Confidential Information" means any information or material known to, or used by or for, the Company or an Affiliate (whether or not owned or developed by the Company or an Affiliate and whether or not developed by Executive) that is not generally known by other Persons in the same business as the Company or any of its Affiliates. For all purposes of the Agreement, Confidential Information includes, but is not limited to, the following: all trade secrets of the Company or an Affiliate; all non-public information that the Company or an Affiliate has marked as confidential or has otherwise described to Executive (either in writing or orally) as confidential; all non-public information concerning the Company's or Affiliate's products, services, prospective products or services, research, prospects, leases, surveys, seismic data, drilling data, designs, prices, costs, marketing plans, marketing techniques, studies, test data, leasehold and royalty owners, investors, suppliers and contracts; all business records and plans; all personnel files; all financial information of or concerning the Company or an Affiliate; all information relating to the Company's operating system software, application software, software and system methodology, hardware platforms, technical information, inventions, computer programs and listings, source codes, object codes, copyrights and other intellectual property; all technical specifications; any proprietary information belonging to the Company or an Affiliate; all computer hardware or software manuals of the Company or an Affiliate; all Company or Affiliate training or instruction manuals; all Company or Affiliate electronic data; and all computer system passwords and user codes.

8. "Person" means any individual, firm, corporation, partnership, company, joint venture, association, joint-stock company, limited liability company, trust, unincorporated organization committee, or other entity.

9. "Termination Date" means the date on which Executive's employment terminates with the Company and all of its Affiliates.

**APPENDIX B**
**TO**
**EMPLOYMENT AGREEMENT**

# ***CONFIDENTIAL SEPARATION and Release AGREEMENT***

This **SEPARATION AND RELEASE AGREEMENT** (the "***Agreement***") is made and entered into by and between VAALCO Energy, Inc. (the "***Company***") and Gayla Cutrer, an employee and officer of the Company ("***Employee***"). The Company and Employee may sometimes hereafter be referred to singularly as a "***Party***" or collectively as the "***Parties***."

## *RECITALS*

**WHEREAS**, the Parties are subject to an employment agreement dated effective October 9, 2015 (the "***Employment Agreement***"); and

**WHEREAS**, the Parties agree that the employment of Employee with the Company (and all of its Affiliates) shall terminate on the Termination Date specified below, subject to terms and conditions of this Agreement; and

**WHEREAS**, the Parties desire to completely resolve any and all disputes or potential disputes that may exist between them concerning Employee's employment, separation from employment, and otherwise; and

**WHEREAS**, the Company desires to provide consideration to Employee in the form of Separation Benefits (as defined in Section 1); and

**WHEREAS,** Employee is eligible to receive the Separation Benefits, the receipt of which is conditioned upon Employee releasing the Company and the other Released Parties (as defined in Section 3) from all specified claims or causes of action that Employee may have against them through the date that Employee executes this Agreement as set forth on the signature page below (the "***Release Effective Date***");

## *AGREEMENT*

**NOW, THEREFORE**, in consideration of the mutual representations contained herein, and such other good and valuable consideration, the sufficiency of which is hereby acknowledged, the Parties hereby covenant and agree, with the intent to be legally bound, as follows:

1. **Payment Acknowledged. In consideration for entering into this Agreement, the Company will provide to Employee the separation benefits specified in Exhibit I to this Agreement (the "*Separation Benefits*"). The Lump Sum Severance Payment, as described in Exhibit I, will be made in a single cash payment within ten (10) business days after the**

**end of the revocation period specified in Section 17 following the Termination Date (as defined in Section 3).**

The Separation Benefits will be net of all applicable federal, state and local taxes as required by law and any other required withholdings. In addition, by entering into this Agreement, Employee agrees that the Separation Benefits will be reduced by any amount that Employee owes the Company as of the Termination Date. All other benefits provided by the Company or its Affiliates to Employee shall cease upon the Termination Date, unless otherwise expressly provided by the express terms of such benefits plans or programs.

**2.** **Termination of Employment**. Effective as of 5:00 p.m. (Central Time) on January 2, 2016 ("*Termination Date*"), Employee's employment with the Company and all of its Affiliates shall terminate. The term "*Affiliate*" means any Person, controlling, controlled by, or under common control with the Company. For purposes of this definition, the terms "controlling, controlled by, or under common control" means the possession, directly or indirectly, of the power to direct or cause the direction of management or policies (whether through ownership of securities or any partnership or other ownership interest, by contract or otherwise) of another person or entity. Whether any Person is an Affiliate will be determined by the Company. For purposes of the Agreement, the term "*Person*" means any individual, firm, corporation, partnership, company, joint venture, association, joint-stock company, limited liability company, trust, unincorporated organization committee, or other entity.

**3.** **Purpose.** The purpose of this Agreement is to provide for the orderly termination of the employment relationship between the Parties, and to voluntarily resolve any actual or potential disputes, claims or causes of action that Employee has or might have, whether known or unknown, as of the Release Effective Date (as defined above), against (a) the Company and its Affiliates, and its and their owners, partners, parents, directors, officers, employees, agents, attorneys, representatives, employee benefits plans, plan fiduciaries, insurers, predecessors, successors, and assigns, and (b) all compensation and benefit plans and programs sponsored or maintained by the Company and the administrators, trustees, insurers, and fiduciaries of such plans and programs (hereinafter, all the Persons in clauses (a) and (b) being individually and collectively referred to as the "*Released Parties*"). Neither the fact that this Agreement has been proposed or executed, nor the terms of this Agreement, are intended to suggest, or should be construed as suggesting, that the Released Parties have acted unlawfully or violated any federal, state or local law or regulation, or any other duty, policy or contract.

**4.** **No Other Payments.** Employee understands and agrees that the Company shall make no other payments hereunder to Employee, other than the Separation Benefits, and shall have no other obligations to Employee except as described in this Agreement. Employee acknowledges that Employee has no right to seek, and will not seek, any additional or different compensation or consideration for executing or performing under this Agreement. Employee acknowledges that the Separation Benefits are in addition to

anything of value to which Employee would otherwise be entitled to receive by virtue of Employee's employment or separation from employment, excepting any benefits that Employee is entitled to receive under the Company's employee benefit plans or programs following termination of employment, as provided under the express terms and conditions of such plans or programs, and without regard to the Separation Benefits described in this Agreement.

**5.** **Neutral Employment Reference.** The Company shall provide a neutral employment reference to any potential employers that consider the employment of Employee and that seek information concerning the reasons for the departure of Employee. A "neutral employment reference" means that the Company will provide to any such potential employers the identity of the positions held by Employee, the dates of Employee's employment with the Company, and the Employee's last rate of compensation. Employee should direct any potential employers to the Company's Human Resources Department in Houston, Texas, for employment references.

6. **No Admission of Liability.** Employee understands and agrees that this Agreement shall not in any way be construed as an admission by the Company, or by any of the other Released Parties, of any unlawful or wrongful acts whatsoever against Employee or any other Person. The Released Parties specifically disclaim any liability to, or wrongful acts against, Employee or any other Person.

**7.** **Tax Consequences.** The Company has made no representations to Employee regarding the tax consequences of the Separation Benefits or any other benefit under this Agreement. Employee understands, acknowledges, and agrees that Company cannot, and does not, provide tax advice to Employee. Any tax-related information that has been provided, or will be provided, to Employee is solely for informational purposes and should not be relied upon by Employee. Employee is advised to retain a competent and qualified tax adviser to advise Employee on the tax consequences associated with Employee's termination of employment and receipt of Separation Benefits from the Company.

**8.** **Non-Disclosure Obligations.** Employee shall not, without first obtaining the express written consent of the Chief Executive Officer of the Company ("*CEO*") or the Board of Directors of the Company ("*Board*"), or being compelled to do so by a court of competent jurisdiction or a government entity under compulsion of law, disclose the existence or terms of this Agreement, nor the substance of the negotiations leading to this Agreement, to any other Person; save and except to Employee's spouse, personal attorney, personal accountants, personal tax preparer, and/or the appropriate taxing authorities (each of whom will then be deemed governed by the non-disclosure agreement herein to the extent permitted by applicable law, and Employee will be responsible for any such improper disclosure by such Persons).

Employee acknowledges and agrees that Employee (a) was exposed to and received valuable and proprietary Confidential Information (as defined in the Employment Agreement) and (b) agreed to preserve and protect the confidential nature of the Confidential Information. Employee also agrees to continue to abide by the Company's

confidentiality policies and any agreement regarding confidentiality that Employee has with the Company including, without limitation, Employee's continuing obligations under the Employment Agreement and the Company's Code of Business Conduct and Ethics. Employee shall take all reasonable measures to protect the secrecy of and avoid disclosure and unauthorized use of the Confidential Information.

Employee expressly acknowledges that Employee's breach of the obligations contained in this Section 8 will likely cause irreparable and substantial harm to the Company and, therefore, such obligations may be enforced by injunctive relief or monetary damages, if available, or any other remedy available at law or equity. In the event of any uncertainty regarding Employee's obligations contained in this Section 8, Employee agrees to contact the CEO, in writing, regarding such uncertainty and to seek a good faith clarification and/or resolution of Employee's obligations under this Section 8. In the event Employee becomes reemployed following Employee's termination of employment, Employee agrees to promptly and effectively disclose such confidentiality provisions, but not the Agreement itself, to Employee's new employer(s).

**9.** **Non-Disparagement.** As provided in the Employment Agreement, Employee has agreed not to disclose, communicate, or publish any disparaging or negative information, writings, electronic communications, comments, opinions, facts, or remarks, of any kind, about the Company and/or any of the other Released Parties following the Termination Date.

**10.** **Non-Solicitation and Non-Recruitment.** Employee acknowledges and agrees that the position Employee held with the Company was a position of trust which allowed Employee to develop relationships with employees of the Company and its Affiliates, and to have insight into such work relationships. As such, Employee has agreed to the non-solicitation and non-recruitment covenants as set out in the Employment Agreement.

Should Employee violate any of her non-solicitation or non-recruitment obligations or covenants, then Employee's entitlement to the payment of any monies under this Agreement will cease, the Company may recover from Employee all monies previously paid to Employee under this Agreement, with the exception of one hundred dollars ($100.00), which amount shall constitute an irrevocable amount of consideration supporting this Agreement and, moreover, the Company or an Affiliate may seek any further relief, legal or equitable, that might be available to it under any applicable law.

**11.** **Duty to Return Company Documents and Property.** As provided in the Employment Agreement, Employee agrees that Employee shall: (a) not take, retain, copy, alter, destroy, or delete any files, documents or other materials whether or not embodying or recording any Confidential Information, including copies, without obtaining the advance written consent of an authorized Company representative; (b) promptly return to the Company all Confidential Information, documents, files, records and tapes (written or electronically stored) that are in Employee's possession or control regarding the Company and its Affiliates; and (c) not use or disclose such materials in any way or in any format, including written information in any form, including information stored by

electronic means, and any copies of these materials. Employee further agrees that, following the Termination Date and as provided in the Employment Agreement, Employee will immediately return to the Company all property of the Company or its Affiliates.

**12. Remedies.** Employee acknowledges that (a) the restrictions contained in this Agreement, in view of the nature of the Company's business, are reasonable and necessary to protect the Company's legitimate business interests, and (b) any violation of this Agreement could result in irreparable injury to the Company or an Affiliate. In the event of a breach or a threatened breach by Employee of any provision of Sections 8 through 11, the Company will be entitled to a temporary restraining order and injunctive relief restraining Employee from the commission of any breach. Nothing contained in this Agreement should be construed as prohibiting the Company from pursuing any other remedies available to it for any such breach or threatened breach.

Employee further understands and agrees that if Employee, or someone acting on her behalf, should file, or cause to be filed, any claim, charge, complaint, or action against the Company and/or any other Released Parties subject to the release of claims in Section 15, Employee expressly waives any and all rights to recover any damages or other relief from the Company and/or any other Released Parties including, without limitation, costs and attorneys' fees.

**13. Participation in EEOC Investigations.** Notwithstanding any other provision of this Agreement to the contrary, this Agreement is not intended to prevent or otherwise interfere with the Employee's rights to file a charge with the EEOC or any similar federal, state or local agency in connection with any claim that Employee believes she may have against the Company or its Affiliates, or to cooperate or provide truthful testimony to the EEOC or any similar federal, state or local agency with respect to any investigation. However, under this Agreement, Employee does hereby waive her right to monetary or any other recovery in the event that any charge Employee files is pursued by the EEOC or any similar federal, state or local agency on Employee's behalf arising out of or related to her employment or the termination of such employment, unless otherwise required under applicable law.

The EEOC and any similar, federal, state or local agency has the authority to carry out their statutory duties and may investigate a charge, issue a determination, file a lawsuit in federal or state court in their own name or take other action authorized under applicable statutes. Employee retains the right to participate in such an action and communicate with the EEOC and any comparable state or local agency, and such communication may be initiated by Employee or by the government agency and, in addition, the non-disparagement clause in Section 9 hereof and in the Employment Agreement does not limit those rights.

**14. Employee Representations**. Employee expressly agrees to and acknowledges, confirms and represents to the following, and intends for the Company to rely upon the following in entering this Agreement:

(a) As of the Release Effective Date, Employee has not filed any complaints, charges, claims or actions against the Company or any of the other Released Parties with any court, agency, or commission regarding the matters encompassed by this Agreement.

(b) Employee, by entering into this Agreement, is releasing the Released Parties from any and all claims that Employee may have against them under federal, state, or local laws, which have arisen on or before the Release Effective Date.

(c) Employee, by entering into this Agreement, is waiving all claims that Employee may have against the Released Parties under the federal Age Discrimination in Employment Act of 1967, as amended (*i.e*., 29 USC § 621 et seq.), which have arisen on or before the date of execution of this Agreement.

(d) Employee has reviewed all aspects of this Agreement, and has carefully read and fully understands this Agreement.

**(e) Employee has been hereby advised to consult with an attorney before signing this Agreement.**

(f) Employee is knowingly and voluntarily entering into this Agreement, and has relied solely and completely upon Employee's own judgment and, if applicable, the advice of Employee's attorney before entering into this Agreement.

(g) Employee is not relying upon any representations, promises, predictions, projections, or statements made by or on behalf of the Company or any of the other Released Parties, other than those that are specifically stated in this Agreement.

(h) Employee acknowledges that this Agreement shall be binding on Employee, and on Employee's spouse, heirs, administrators, representatives, executors, successors and assigns.

(i) Employee agrees that this Agreement shall, in all cases, be construed as a whole, according to its fair meaning, and not strictly for or against, any of the Parties.

(j) Employee does not waive rights or claims that may arise after the Release Effective Date.

(k) Employee will receive payment of consideration under this Agreement that is beyond what Employee was entitled to receive before entering into this Agreement.

**15.** **Release**. Employee, on behalf of herself, and her heirs, executors, administrators, dependents, spouse, beneficiaries, successors and assigns (individually and collectively, the "*Releasing Parties*"), hereby fully, unconditionally and forever release, acquit and discharge the Released Parties, jointly and severally, from and against any and all claims, demands, actions, lawsuits, grievances, liabilities, and obligations of any nature whatsoever that the Releasing Parties had, have or may ever have against the Released Parties, or that might be assigned by the Releasing Parties, whether known or unknown,

fixed or contingent, as of the Release Effective Date. Employee acknowledges, understands and agrees that this Agreement specifically includes, without limitation, (a) law or equity claims; (b) contract (express or implied) or tort claims; (c) claims arising under any federal, state or local laws of any jurisdiction that prohibit age, sex, race, national origin, color, disability, religion, veteran, military status, sexual orientation or any other form of discrimination, harassment, hostile work environment or retaliation (including, without limitation, the Age Discrimination in Employment Act of 1967, the Older Workers Benefit Protection Act, the Americans with Disabilities Act of 1990, the Americans with Disabilities Act Amendments Act of 2008, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Civil Rights Acts of 1866 and/or 1871, 42 U.S.C. Section 1981, the Rehabilitation Act, the Family and Medical Leave Act, the Sarbanes-Oxley Act, the Employee Polygraph Protection Act, the Worker Adjustment and Retraining Notification Act, the Equal Pay Act of 1963, the Lilly Ledbetter Fair Pay Act, the Uniformed Services Employment and Reemployment Rights Act of 1994, the Genetic Information and Nondiscrimination Act of 2008, the Patient Protection and Affordable Care Act of 2010, the Consolidated Omnibus Budget Reconciliation Act of 1985, all amendments to any of these above-referenced laws, and any other federal, state or local laws of any jurisdiction; (d) claims under any other federal, state, local, municipal or common law whistleblower protection, discrimination, wrongful discharge, anti-harassment or anti-retaliation statute or ordinance; (e) claims arising under ERISA; or (f) any other statutory or common law claims related to Employee's employment or separation from employment with the Company and its Affiliates. Employee further represents that, as of the Release Effective Date, she has not been the victim of any illegal or wrongful acts by any of the Released Parties, including, without limitation, discrimination, retaliation, harassment or any other wrongful act based on sex, age, race, religion, or any other legally protected characteristic.

The release contained in this Section 15 does not include the following: (a) a claim for which the facts giving rise to such claim first occurred *after* the Release Effective Date; (b) any eligibility to receive continuation of health care coverage to the extent required under COBRA; (c) any vested benefit under a qualified retirement plan or long term incentive plan of the Company or an Affiliate; (d) any claim for worker's compensation benefits that is currently pending as of the date of this Agreement; (e) any accrued and unused vacation benefits; (f) any salary or wages earned up to and through the Termination Date; (g) a right, if any, to be indemnified by the Company or any Affiliate in her capacity as a director, officer or employee of the Company or any Affiliate to the extent provided under the terms and conditions of any corporate procedure or policy, or insured under any applicable liability policy, as each may be amended from time to time, in the event that a third party brings a claim of liability against Employee; and (h) any claim challenging the validity of this release under the federal Older Workers Benefit Protection Act.

**16. Twenty-one Days to Consider Offer of Termination Benefits.** Employee shall have a period of twenty-one (21) days to consider whether to sign this Agreement. *Although Employee may sign this Agreement prior to the end of the 21-day period, she may not*

*sign this Agreement on or before the Termination Date.* In addition, if Employee signs this Agreement prior to the end of the 21-day period, she shall be deemed, by doing so, to have certified and agreed that the decision to make such election prior to the expiration of such 21-day period is knowing and voluntary and was not induced by the Company through: (a) fraud, misrepresentation, or a threat to withdraw or alter the offer prior to the end of the 21-day period, or (b) an offer to provide different terms or benefits in exchange for signing this Agreement prior to the expiration of the 21-day period. The procedure for Employee to accept this Agreement is to return a fully executed, dated, and witnessed Agreement to the CEO (or his delegate) prior to the deadline.

**17.** **Seven Day Revocation Period.** Employee may revoke this Agreement at any time within seven (7) days after Employee returns a signed copy pursuant to Section 16. To revoke the Agreement, Employee must deliver written notification of such revocation to the attention of the CEO (or his delegate) within seven (7) days after the date that Employee signs this Agreement. Employee further understands that if Employee does not revoke the Agreement within seven (7) days following execution (excluding the date of execution), the Agreement will become effective and binding on the Parties, and fully enforceable by the Parties, as of the date of execution.

**18.** **Agreement not to Sue.** Except as required by law that cannot be waived, including but not limited to the rights afforded to Employee under Section 13, Employee agrees that she will not commence, maintain, initiate, or prosecute, or cause, encourage, assist, volunteer, advise or cooperate with any other Person to commence, maintain, initiate or prosecute, any action, lawsuit, proceeding, charge, petition, complaint or claim before any court, agency or tribunal against the Company or any Affiliate arising from, concerned with, or otherwise relating to, in whole or in part, Employee's employment or separation from employment with the Company, or any of the matters discharged and released in this Agreement.

**19.** **Breach by Employee.** In the event that Employee breaches this Agreement, the Released Parties may seek all remedies specifically identified in this Agreement or otherwise available at law and equity including, without limitation, specific performance of the Agreement. In the event that Employee breaches or repudiates this Agreement, Employee may be required, at the Company's option, either to compensate the Company for all damages incurred as a result, or to return a sum of money representing the Separation Benefits, with the exception of one hundred dollars ($100.00), which amount shall constitute an irrevocable amount of consideration supporting this Agreement. This option of the Company, however, does not apply to any claims made by or on behalf of Employee under the federal Age Discrimination in Employment Act or the federal Older Workers' Benefit Protection Act. In the case of any such claims under those statutes, the Company and other Released Parties may receive only those remedies specifically allowed under such statutes.

**20.** **Severability.** The Parties fully intend that this Agreement comply with all applicable laws and legal requirements. Should any provision of this Agreement be declared or be determined by any court of competent jurisdiction to be illegal, invalid or otherwise

unenforceable, the Agreement shall first be reformed to make the provision at issue enforceable and effective to the full extent permitted by law. Further, if a court should determine that any portion of this Agreement is unenforceable, such provision shall be given effect to the maximum extent possible by narrowing or enforcing in part that aspect of the provision found to be unenforceable. If such reformation is not possible, all remaining provisions of this Agreement shall otherwise remain in full force and effect and shall be construed as if such illegal, invalid, or unenforceable provision had not been included herein.

**21.** **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of the Parties, and their respective heirs, executors, beneficiaries, personal representatives, successors and permitted assigns hereunder, but otherwise this Agreement shall not be for the benefit of any third parties.

**22.** **Entire Agreement; Amendment.** This Agreement sets forth the entire agreement of the Parties and fully supersedes and replaces any and all prior agreements, promises, representations, or understandings, written or oral, between the Company (and any other Released Party) and the Employee that relates to the subject matter of this Agreement, unless referenced in this Agreement and, therefore, incorporated into this Agreement by reference. Employee acknowledges that in executing this Agreement, (a) Employee does not rely, and has not relied, upon any oral or written representation, promise or inducement by the Company and/or any of the other Released Parties, except as expressly contained in this Agreement, and (b) there is no presumption regarding the interpretation or construction of this Agreement against its drafter. Employee understands and agrees that she is precluded from bringing any fraud or similar claim against the Company or any of the other Released Parties associated with any such communications, representations, promises or inducements. This Agreement may be amended or modified only by a written instrument identified as an amendment hereto that is executed by both Parties.

**23.** **Survival of Certain Provisions.** Wherever appropriate to the intention of the Parties, the respective rights and obligations of the Parties hereunder shall survive any termination or expiration of this Agreement.

**24.** **Choice of Law and Forum.** This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of Texas, but without regard to principles of conflict of laws that might direct the application of the law of another forum. Any action to enforce the provisions of this Agreement, or otherwise relating to this Agreement, must be brought in any court of competent jurisdiction in Houston, Texas, and the Parties hereby waive any objection to such venue including, without limitation, that it is inconvenient.

**25.** **Waiver of Jury Trial. THE PARTIES HERETO WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY PROCEEDING ARISING OUT OF OR RELATING TO THE AGREEMENT OR ANY CLAIM HEREUNDER, WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE. THE PARTIES AGREE THAT ANY OF THEM MAY**

**FILE A COPY OF THIS PARAGRAPH WITH ANY COURT AS WRITTEN EVIDENCE OF THE KNOWING, VOLUNTARY AND BARGAINED-FOR AGREEMENT AMONG THE PARTIES TO IRREVOCABLY WAIVE TRIAL BY JURY, AND THAT ANY PROCEEDING WHATSOEVER BETWEEN THEM RELATING TO THE AGREEMENT OR ANY CLAIM HEREUNDER SHALL INSTEAD BE TRIED IN A COURT OF COMPETENT JURISDICTION PURSUANT TO SECTION 24 BY A JUDGE SITTING WITHOUT A JURY.**

**26. Relief.** The Parties understand and agree that if a violation of any term of this Agreement is asserted, the Party who asserts such violation shall have the right to seek specific performance of that term and/or any other necessary and proper relief as permitted by law or equity, including but not limited to, damages awarded by any court of competent jurisdiction, and the prevailing Party shall be entitled to recover its reasonable costs and attorneys' fees.

**27. Waiver.** A Party's waiver of any breach or violation of any provision of this Agreement shall not operate as, or be construed to be, a waiver of any later breach of the same or other provision by such Party.

**28. Counterparts.** The Parties agree that the Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall be deemed one and the same instrument.

**PLEASE READ CAREFULLY BEFORE SIGNING**

- Employee acknowledges that she has carefully read and understands the terms of this Agreement and all of Employee's promises and obligations hereunder.

- Employee acknowledges that she has been advised to review this Agreement with an attorney before signing it.

- Employee acknowledges that she has been given at least 21 days to consider whether to sign this Agreement. Employee acknowledges that if she signs this Agreement before the end of the 21-day period, it will be her own personal and voluntary decision to do so.

- Employee understands that this Agreement will not become effective or enforceable until after the 7-day revocation period has expired. The Company will have no obligations to Employee under this Agreement if she revokes the Agreement during such 7-day period.

*[Signature page follows.]*

***Please review this document carefully as it includes a release of claims.***

IN WITNESS WHEREOF, the Employee has entered into this Agreement, and the Company has caused this Agreement to be executed in its name and on its behalf by its duly authorized officer, to be effective as of the Release Effective Date that this Agreement is executed by Employee as set forth beneath her signature below.

This document was presented to Employee on October ____, 2016.

***Although Employee may sign this Agreement prior to the end of the 21-day period, Employee may not sign this Agreement on or before the Termination Date.***

**EMPLOYEE**

Employee Signature

Printed Name: Gayla Cutrer

Date:
(the "***Release Effective Date***")

**WITNESS**

Witness Signature

Title:

Printed Name:

Date:

**COMPANY***

By:

Printed Name:

Title:

Date:

*Address for notices:*

VAALCO Energy, Inc.
9800 Richmond Avenue
Suite 700
Houston, TX  77042
Attn: General Counsel

*Note:  The Company officer should sign after the Employee has signed this Agreement.

**Exhibit I**

**Consideration for Release Agreement**

In consideration for entering into this Agreement, the Company will provide the Employee with the Separation Benefits specified below in accordance with the terms and conditions of this Agreement:

(1) Cash Payment for COBRA Premium. Employee will receive a cash payment of in the aggregate amount of $9,538.12, representing an estimate of the Employee's payment of COBRA continuation payments for a period of four (4) months. This payment shall be paid in a single cash amount, less applicable withholdings, on January 2, 2016, provided that Employee executes this Agreement in the 21-day consideration period, this Agreement has not been revoked, and is no longer subject to revocation by Employee.

(2) Eligibility for 2015 Annual Bonus. Employee will be eligible to receive a cash bonus under the terms and conditions of the Company's 2015 Bonus Plan, as provided pursuant to Section 3.2 of the Employment Agreement. The amount of any cash bonus that is awarded to Employee for the 2015 calendar year shall be determined by the Compensation Committee.

(3) Vesting of Incentive Outstanding Awards. All unvested shares of restricted stock under the Company's long-term incentive plans previously awarded to Employee shall vest on January 2, 2016, provided that Employee executes this Agreement in the 21-day consideration period, this Agreement has not been revoked, and is no longer subject to revocation by Employee. For the avoidance of doubt, Employee has previously been awarded the following unvested shares of restricted stock:

**Grant Date: March 4, 2014**
**Unvested Shares of Restricted Stock: 6,667**

**Grant Date: March 3, 2015:**
**Unvested Shares of Restricted Stock: 18,100**

If any award agreements governing any unvested stock option awards under the Company's long-term incentive plans call for the acceleration of such unvested stock options upon Employee's retirement, such unvested stock options shall vest on Employee's Termination Date. Any unexercised stock options shall continue to be exercisable for the periods as set forth in the applicable stock option award agreement.

# EXECUTIVE EMPLOYMENT AGREEMENT

**between**

**VAALCO ENERGY, INC.**

**and**

**DON MCCORMACK**

**(EFFECTIVE AS OF NOVEMBER 1, 2015)**

# EXECUTIVE EMPLOYMENT AGREEMENT

THIS EXECUTIVE EMPLOYMENT AGREEMENT (the "**Agreement**"), effective as of November 1, 2015 (the "**Effective Date**"), is made and entered into by and between VAALCO Energy, Inc., a Delaware corporation (hereafter "**Company**") and Don McCormack (hereafter "**Executive**"). The Company and Executive may sometimes hereafter be referred to singularly as a "**Party**" or collectively as the "**Parties**."

**W I T N E S S E T H:**

WHEREAS, the Company desires to secure the employment services of Executive subject to the terms and conditions hereafter set forth; and

WHEREAS, Executive is willing to enter into this Agreement upon the terms and conditions hereafter set forth;

NOW, THEREFORE, in consideration of Executive's employment with the Company, and the mutual promises, covenants and obligations contained herein, the Parties hereby agree as follows:

## Article 1.
## EMPLOYMENT AND DUTIES

**1.1 Definitions**. In addition to the terms defined in the text hereof, terms with initial capital letters as used herein have the meanings assigned to them, for all purposes of this Agreement, in the Definitions Appendix hereto, unless the context reasonably requires a broader, narrower or different meaning. The Definitions Appendix, as attached hereto, is part of this Agreement and incorporated herein.

**1 . 2 Employment; Effective Date**. Effective as of the Effective Date and continuing for the Employment Period (as defined in Section 2.1), the Executive's employment by the Company shall be subject to the terms and conditions of this Agreement.

**1 . 3 Positions.** As of the Effective Date, the Executive will serve as Vice President – Finance and, following the filing of the Company's Form 10-Q for the quarter ending September 30, 2015 with the Securities and Exchange Commission, the Executive will serve as Chief Financial Officer of the Company.

**1.4 Duties and Services.** The Executive agrees to serve in the position referred to in Section 1.3 and to perform diligently and to the best of his abilities the duties and services appertaining to such office, as well as such additional duties and services appropriate to such office upon which the Parties mutually may agree from time to time or that are assigned to him by the Chief Executive Officer of the Company ("CEO"). The Executive's employment shall also be subject to the policies maintained and established by the Company from time to time, as the same may be amended or otherwise modified.

Executive shall at all times use his best efforts to in good faith comply with United States and foreign laws applicable to Executive's actions on behalf of the Company and its Affiliates. Executive understands and agrees that he may be required to travel extensively at times for purposes of the Company's business.

1.5 **Other Interests**. The Executive agrees that, during the Employment Period, he will devote his primary business time, energy and best efforts to the business and affairs of the Company and its Affiliates, and not to engage, directly or indirectly, in any other business or businesses, whether or not similar to that of the Company or an Affiliate, except with the consent of the Board of Directors of the Company (the "**Board of Directors**") or the CEO. The foregoing notwithstanding, the Parties recognize and agree that the Executive may engage in passive personal investments (such as real estate investments, rental properties, and equity ownership in other public companies, so long as such equity ownership is less than 5% of the market capitalization of any such other public company) and other civic and charitable activities (such as continued service on non-profit and/or educational boards) that do not conflict with the business and affairs of the Company or interfere with the Executive's performance of his duties hereunder without the necessity of obtaining the consent of the Board of Directors or the CEO; provided, however, Executive agrees that if the Compensation Committee of the Board of Directors (the "**Compensation Committee**") or the CEO determines that continued service with one or more civic or charitable entities is inconsistent with the Executive's duties hereunder and gives written notice to the Executive, he will promptly resign from such position(s).

1.6 **Duty of Loyalty**. The Executive acknowledges and agrees that the Executive owes a fiduciary duty of loyalty, fidelity, and allegiance to use his best efforts to act at all times in the best interests of the Company and its Affiliates. In keeping with these duties, the Executive shall make full disclosure to the Board of Directors or the CEO of all business opportunities pertaining to the Company's business, and he shall not appropriate for the Executive's own benefit any business opportunity concerning the subject matter of such fiduciary relationship.

## Article 2.
## TERM AND TERMINATION OF EMPLOYMENT

2.1 **Term of Employment**. Unless sooner terminated pursuant to other provisions hereof, the Company agrees to continue to employ the Executive for the period beginning on the Effective Date and ending on December 31, 2016 (the "Initial Term of Employment"). Beginning effective as of December 31, 2016 (the "Initial Extension Date"), the term of employment hereunder shall be extended automatically for an additional successive one-year period as of such date and as of each annual anniversary of the Initial Extension Date that occurs while this Agreement remains in effect so that the remaining term is one year; provided, however, if, at any time prior to the date that is sixty (60) days before the Initial Extension Date or any annual anniversary thereof, either Party gives Notice of Termination to the other Party that no such automatic extension shall occur, and then the Executive's employment hereunder shall terminate on the last day of the then-current calendar year period.

In addition, the Company and Executive shall each have the right to give Notice of Termination at will, with or without cause, at any time, subject to the terms and conditions of this Agreement regarding the rights and duties of the Parties upon termination of employment.

The Initial Term of Employment, and any extension of employment hereunder, shall be referred to herein as a "**Term of Employment**." The entire period from the Effective Date through the date of Executive's termination of employment with the Company, for whatever reason, shall be referred to herein as the "**Employment Period**."

2.2 **Notice of Termination**. If the Company or the Executive desires to terminate the Executive's employment hereunder at any time as of, or prior to, expiration of the Term of Employment, such Party shall do so by giving written Notice of Termination to the other Party, provided that no such action shall alter or amend any other provisions hereof or rights arising hereunder. No further renewals of the Term of Employment hereunder shall occur pursuant to Section 2.1 after the giving of such Notice of Termination.

2.3 **Resignations**. Notwithstanding any other provision of this Agreement, upon the termination of the Executive's employment hereunder for any reason, unless otherwise requested by the Compensation Committee, Executive shall immediately resign from all officer positions and all boards of directors of any Affiliates of which he may be a member and, to the extent he is a member of the Board of Directors, from the Board. The Executive hereby agrees to execute any and all documentation of such resignations upon request by the Company, but he shall be treated for all purposes as having so resigned upon termination of his employment, regardless of when or whether he executes any such documentation.

## Article 3.
## COMPENSATION AND BENEFITS

3.1 **Base Salary**. During the Employment Period, the Executive shall receive a minimum annual base salary of $325,000, which shall be prorated for any period of less than 12 months (the "Base Salary"). The Compensation Committee shall review the Executive's Base Salary on an annual basis and may, in its sole discretion, adjust the Base Salary, and thereafter references in this Agreement to "Base Salary" shall refer to annual Base Salary as adjusted. The Base Salary shall be paid in equal installments in accordance with the Company's standard policy regarding payment of compensation to executives, but no less frequently than monthly.

3.2 **Annual Bonuses**. For the 2015 calendar year and subsequent calendar years during the Employment Period, the Executive shall be eligible to receive an annual cash bonus (the "Annual Bonus") under the Company's annual incentive cash bonus plan for executives or any successor incentive cash bonus plan (the "Bonus Plan"), in an amount to be determined by the Compensation Committee, based on performance goals established by the Compensation Committee, in its discretion, pursuant to the terms of the Bonus Plan, and with a target percentage (the "Incentive Target Percentage") of 65% of the Executive's annual base salary as in effect at the beginning of the calendar year and may scale up or down based on achievement of personal and corporate goals established by the Compensation Committee.

For the 2015 calendar year and in the event that the Employment Period ends before the end of the calendar year, Executive shall be entitled to a prorata portion of the Annual Bonus for that year (based on the number of days in which he was employed during the year divided by 365) as determined based on satisfaction of the Incentive Target Percentage for that period on a prorata basis as determined by the Compensation Committee, unless Executive was terminated for Cause or resigns without Good Reason in which event he shall not be entitled to any Annual Bonus for that year.

3.3 **Equity Awards after the Effective Date**. During the Employment Period on and after the Effective Date, the Executive shall be eligible for stock options or other incentive awards in accordance with normal competitive pay practices, on a basis no less favorable than the process and approach used for the Company's other senior executives, as determined by the Compensation Committee in its discretion.

3.4 **Business and Entertainment Expenses**. Subject to the Company's standard policies and procedures with respect to expense reimbursement as applied to its executives generally, the Company shall reimburse the Executive for, or pay on behalf of the Executive, the reasonable and appropriate expenses incurred by the Executive for business related purposes, including dues and fees to industry and professional organizations and costs of entertainment and business development.

3.5 **Vacation**. During each full year of the Term of Employment, the Executive shall be entitled to four (4) weeks of paid vacation in accordance with the Company's vacation policy, as in effect from time to time

3.6 **Employee and Executive Benefits Generally**. During the Employment Period, the Executive shall be eligible for participation in all employee and executive benefits, including without limitation, qualified and supplemental retirement, savings and deferred compensation plans, medical and life insurance plans, and other fringe benefits, as in effect from time to time for the Company's most senior executives; provided, however, that the Executive acknowledges and agrees that he shall not be a participant in, and he hereby waives any right to participate in, any severance plan (as the same may be amended from time to time) that generally covers the employees of the Company or its Affiliates such as to preclude duplicative severance benefits with those provided to Executive under the terms of this Agreement.

3.7 **Proration**. Any payments or benefits payable to Executive hereunder in respect of any calendar year during which Executive is employed by the Company for less than the entire year, unless otherwise provided in the applicable plan or arrangement, shall be prorated in accordance with the number of days in such calendar year during which he is so employed.

RIGHTS AND PAYMENTS UPON TERMINATION

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4.1 **Rights and Payments upon Termination**. Executive's right to compensation and benefits for periods after the date on which his employment terminates with the Company

and all Affiliates (the "Termination Date") shall be determined in accordance with this Article 4, as follows:

(a) *Minimum Payments*. Executive shall be entitled to the following minimum payments under this Section 4.1(a), in addition to any other payments or benefits to which he is entitled to receive under the terms of this Agreement or any employee benefit plan or program:

(i) his accrued and unpaid Base Salary through the Termination Date;

(ii) his accrued and unused vacation days through the Termination Date; and

(iii) reimbursement of his reasonable business expenses that were incurred but unpaid as of the Termination Date.

Such salary and accrued vacation days shall be paid to Executive within five (5) Business Days following the Termination Date in a cash lump sum less applicable withholdings. Business expenses shall be reimbursed in accordance with the Company's normal policy and procedures.

(b) *Termination Benefits*. In the event that during the Term of Employment Executive incurs a Severance Payment Event, the following severance benefits shall be provided to Executive hereunder or, in the event of his death before receiving all such benefits, to his Designated Beneficiary following his death:

(i) Additional Payment. The Company shall pay to Executive as additional compensation (the "Additional Payment"), an amount equal to fifty percent (50%) (in the event of a Regular Severance Payment Event), or one hundred percent (100%) (in the event of a CIC Severance Payment Event), the aggregate sum of the following compensation items:

(A) Executive's Base Salary as in effect as of the Termination Date; plus

(B) an amount equal to the greater of (i) the average of Executive's Annual Bonus (or other cash incentive bonus) paid or payable to Executive by the Company for the two calendar years immediately preceding the calendar year in which the Termination Date occurs or (ii) Executive's Annual Bonus for the full calendar year in which the Termination Date occurs; provided, however, in the event that the Termination Date occurs before the end of the calendar year, Executive shall be entitled to a prorata portion of the greater of clause (i) or (ii) above (based on the number of days in which he was employed during that year divided by 365).

Regardless of whether attributable to a Regular Severance Payment Event or a CIC Severance Payment Event, and subject to Section 4.1(b)(iii) in the event of an Anticipatory Termination, the Company shall make the Additional Payment to Executive over a one-year period in twenty-four, substantially equal bi-monthly payments that begin within twenty (20) days following the Termination Date. The payment of any Additional Payment shall be made in accordance with, and subject to, the Release requirements of Section 4.3 and the Company's standard payroll procedures. The Company shall delay payments pursuant to Section 6.1 to the extent required to comply with the requirements of Code Section 409A. If Executive is a "specified employee" within the meaning of Code Section 409A, then payment of the Additional Payments otherwise payable during the first six (6) months following the Termination Date shall be deferred for six (6) months following the Termination Date (in accordance with Section 6.1) and such aggregate amount shall be paid within ten (10) days following the expiration of such 6-month period. Thereafter, the installment payments shall be made to Executive in accordance with the bi-monthly schedule set out above. In the event of Executive's death prior to the payment of all installments of the (1) Additional Payment as provided above, or (2) the Remaining Additional Payment Amount as provided in Section 4.1(b)(iii), the remaining installment payments shall be aggregated and paid in a single sum payment to the Executive's Designated Beneficiary within sixty (60) days from Executive's date of death.

(ii) Continued Group Health Plan Coverage. The Company and its Affiliates shall maintain continued group health plan coverage following the Termination Date under any of the Company's group health plans that covered Executive immediately before the Termination Date which are subject to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, as codified in Code Section 4980B and Part 6 of Subtitle B of Title I of ERISA ("COBRA"), for Executive and his eligible spouse and other dependents (together, "Dependents"), for a period of one (1) year following the Termination Date and at no cost to Executive and his Dependents.

After the Termination Date, Executive, and his Dependents, if any, must first elect and maintain any COBRA continuation coverage under such plan that they are entitled to receive under the terms of such plan and COBRA. However, Executive and his Dependents shall not be required to make any premium payments for the portion of any such COBRA coverage period that does not extend beyond the maximum one-year period referenced above. In all other respects, Executive and his Dependents shall be treated the same as other COBRA qualified beneficiaries under the terms of such plan and the requirements of COBRA during the period while COBRA coverage remains in effect.

The continuation coverage described above shall be provided in a manner that is intended to satisfy an exception to Code Section 409A, and therefore not be treated as an arrangement providing for nonqualified deferred compensation that is subject to taxation under Code Section 409A.

(iii) Anticipatory Termination. Notwithstanding any provision of this Agreement to the contrary, in the event of an Anticipatory Termination (which requires a Change in Control following a Separation from Service), the Company shall compute the Additional Payment payable to Executive as the result of a CIC Severance Payment Event and offset from such amount the aggregate amount of the installments of the Additional Payment, if any, that were already paid to Executive through the Change in Control Date as the result of his Regular Severance Payment Event. The difference between the amount of Additional Payment attributable to the Executive's CIC Severance Payment Event and his Regular Severance Payment Event, as offset by any installment payments already made to Executive through the Change in Control Date, is defined herein as the "Remaining Additional Payment Amount". The Remaining Additional Payment Amount shall be paid to Executive in substantially equal, bi-monthly installment payments over the remaining term of the one-year period that is specified in Section 4.1(b)(i). The Remaining Additional Payment Amount shall be paid to Executive, as provided above, without the requirement that Executive enter into a new Release Agreement if he already entered into a Release Agreement following his Separation from Service.

4.2 **Limitation on Other Severance Benefits**.

(a) Limitation on Other Severance Payments. For purposes of clarity, in the event that (i) Executive voluntarily resigns or otherwise voluntarily terminates his own employment during the Term of Employment, *except for* (A) Good Reason or (B) due to his death or Disability, or (ii) Executive's employment is terminated due to a No Severance Benefits Event, then, in either such event under clause (i) or (ii), the Company shall have no obligation to provide the severance benefits described in subsections (i) and (ii) of Section 4.1(b), except to offer COBRA coverage (as required by COBRA) but not at the discounted rate as described in Section 4.1(b)(ii). Executive shall still be entitled to receive the severance benefits provided under Section 4.1(a).

(b) No Duplication of Severance Benefits. Notwithstanding Section 4.1, if Executive receives or is entitled to receive any severance benefit under any change of control policy, or any agreement with, or plan or policy of, the Company or any Affiliate, the amount payable under Section 4.1(b) to or on behalf of Executive shall be offset by such other severance benefits received by Executive, and Executive shall thus be entitled to receive the greater of such other severance benefits or the benefits provided under this Agreement, and not any duplicate benefits. The severance payments provided under this Agreement shall also supersede and replace any duplicative severance benefits under any severance pay plan or program that the Company or any Affiliate maintains for employees generally and that otherwise may cover Executive.

4.3 **Release Agreement**. In order to receive the Termination Benefits, Executive must first execute the Release on a form provided by the Company in substantially the same form as attached hereto as Appendix B, together with any changes thereto that the Company deems to be necessary or appropriate to comply with applicable law or regulation. Pursuant to

the Release, thereby Executive agrees to release and waive, in return for such severance benefits, any claims that he may have against the Company including, without limitation, for unlawful discrimination or retaliation (*e.g.*, Title VII of the U.S. Civil Rights Act); provided, however, the Release shall not release any claim by or on behalf of Executive for any payment or benefit that is due and payable under the terms of this Agreement prior to the receipt thereof.

The Company shall deliver the Release to Executive within ten (10) days after the Employment Termination Date. The Executive must return the executed Release within the twenty-one (21) or forty-five (45) day period, as applicable, following the date of his receipt of the Release. If the conditions set forth in the preceding sentence are not satisfied by Executive, the Termination Benefits shall be forfeited hereunder.

If the Release delivery and non-revocation period spans two taxable years, the Termination Benefits will always be paid in the second taxable year. The Company shall also execute the Release. No Termination Benefits shall be payable or provided by the Company unless and until the Release has been executed by Executive, has not been revoked, and is no longer subject to revocation by Executive.

4.4 **Notice of Termination**. Any termination of employment by the Company or Executive shall be communicated by Notice of Termination to the other Party.

4.5 **No Mitigation**. Executive shall not be required to mitigate the amount of any payment or other benefits provided under this Agreement by seeking other employment.

## Article 4.
## CONFIDENTIAL INFORMATION AND RESTRICTIVE COVENANTS

5.1 **Access to Confidential Information and Specialized Training**. In connection with his employment and continuing on an ongoing basis during the Employment Period, the Company and its Affiliates will give Executive access to Confidential Information, which Executive did not have access to or knowledge of before the execution of this Agreement. Executive acknowledges and agrees that all Confidential Information is confidential and a valuable, special and unique asset of the Company that gives the Company an advantage over its actual and potential, current and future competitors. Executive further acknowledges and agrees that Executive owes the Company a fiduciary duty to preserve and protect all Confidential Information from unauthorized disclosure or unauthorized use, that certain Confidential Information constitutes “trade secrets” under applicable laws, and that unauthorized disclosure or unauthorized use of the Confidential Information would irreparably injure the Company or any Affiliate.

The Company also agrees to provide Executive with Specialized Training, which Executive does not have access to or knowledge of before the execution of this Agreement and continuing on an ongoing basis during his employment.

5.2 **Agreement Not to Use or Disclose Confidential Information**. Both during the term of Executive's employment and after his termination of employment for any reason (including wrongful termination), Executive shall hold all Confidential Information in strict confidence, and shall not use any Confidential Information except for the benefit of the Company or its Affiliates, in accordance with the duties assigned to Executive. Executive shall not, at any time (either during or after the term of Executive's employment), disclose any Confidential Information to any Person (except other Persons who have a need to know the information in connection with the performance of services for the Company or an Affiliate), or copy, reproduce, modify, decompile or reverse engineer any Confidential Information, or remove any Confidential Information from the Company's premises, without the prior written consent of the Compensation Committee, or permit any other Person to do so. Executive shall take reasonable precautions to protect the physical security of all documents and other material containing Confidential Information (regardless of the medium on which the Confidential Information is stored). This agreement and covenant applies to all Confidential Information, whether now known or later to become known to Executive.

The Executive shall hold in a fiduciary capacity for the benefit of the Company all Confidential Information relating to the Company or any of its Affiliates, and their respective businesses, that has been obtained by the Executive during the Executive's employment by the Company and which is not public knowledge (other than by acts of the Executive or representatives of the Executive in violation of this Agreement).

Following the termination of the Executive's employment with the Company for any reason, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such Confidential Information to any Person other than the Company and those designated by it.

The Company has and will disclose to the Executive, or place the Executive in a position to have access to or develop, trade secrets and Confidential Information of the Company or its Affiliates; and/or has and will place the Executive in a position to develop business goodwill on behalf of the Company or its Affiliates; and/or has and will entrust the Executive with business opportunities of the Company or its Affiliates. As part of the consideration for the compensation and benefits to be paid to the Executive hereunder; to protect the trade secrets and Confidential Information of the Company and its Affiliates that have been and will in the future be disclosed or entrusted to the Executive, the business goodwill of the Company and its Affiliates that has been and will in the future be developed in the Executive, or the business opportunities that have been and will in the future be disclosed or entrusted to the Executive; and as an additional incentive for the Company to enter into this Agreement, the Company and the Executive agree to the noncompetition and the nonsolicitation obligations set forth in this Agreement.

5.3 **Duty to Return Company Documents and Property**. Upon the termination of Executive's employment with the Company and its Affiliates, for whatever reason, Executive shall immediately return and deliver to the Company any and all papers, books, records, documents, memoranda and manuals, e-mail, electronic or magnetic recordings or data, including all copies thereof, belonging to the Company or an Affiliate or relating to their businesses, in Executive's possession or under his control, and regardless of, whether prepared

by Executive or others. If at any time after the Employment Period, Executive determines that he has any Confidential Information in his possession or under his control, Executive shall immediately return to the Company all such Confidential Information, including all copies (including electronic versions) and portions thereof.

Within one (1) day after the end of the Employment Period for any reason, the Executive shall return to Company all Confidential Information which is in his possession, custody or control.

5.4 **Further Disclosure**. Executive shall promptly disclose to the Company all ideas, inventions, computer programs, and discoveries, whether or not patentable or copyrightable, which he may conceive or make, alone or with others, during the Employment Period, whether or not during working hours, and which directly or indirectly:

(a) relate to matters within the scope, field, duties or responsibility of Executive's employment with the Company; or

( b ) are based on any knowledge of the actual or anticipated business or interest of the Company; or

(c) are aided by the use of time, materials, facilities or information of the Company.

Executive assigns to the Company, without further compensation, all rights, titles and interest in all such ideas, inventions, computer programs and discoveries in all countries of the world. Executive recognizes that all ideas, inventions, computer programs and discoveries of the type described above, conceived or made by Executive alone or with others within six (6) months after termination of employment (voluntary or otherwise), are likely to have been conceived in significant part either while employed by the Company or as a direct result of knowledge Executive had of Confidential Information. Accordingly, Executive agrees that such ideas, inventions or discoveries shall be presumed to have been conceived during his employment with the Company, unless and until the contrary is clearly established by Executive.

5.5 **Inventions**. Any and all writings, computer software, inventions, improvements, processes, procedures and/or techniques which Executive may make, conceive, discover, or develop, either solely or jointly with any other Person, at any time during the Employment Period, whether at the request or upon the suggestion of the Company or otherwise, which relate to or are useful in connection with any business now or hereafter carried on or contemplated by the Company or an Affiliate, including developments or expansions of its present fields of operations, shall be the sole and exclusive property of the Company. Executive shall take all actions necessary so that the Company can prepare and present applications for copyright or Letters Patent therefor, and can secure such copyright or Letters Patent wherever possible, as well as reissue renewals, and extensions thereof, and can obtain the record title to such copyright or patents. Executive shall not be entitled to any additional or special compensation or reimbursement regarding any such writings, computer software, inventions, improvements, processes, procedures and techniques. Executive acknowledges that the Company from time to

time may have agreements with other Persons which impose obligations or restrictions on the Company or an Affiliate regarding inventions made during the course of work thereunder or regarding the confidential nature of such work. Executive agrees to be bound by all such obligations and restrictions and to take all reasonable action which is necessary to discharge the obligations of the Company or an Affiliate with respect thereto.

5.6 **Non-Solicitation Restriction**. To protect the Confidential Information, and in the event of Executive's termination of employment for any reason, it is necessary to enter into the following restrictive covenants which are ancillary to the enforceable promises between the Company and Executive in this Agreement. Executive hereby covenants and agrees that he will not, directly or indirectly, either individually or as a principal, owner, partner, agent, consultant, contractor, employee, or as a director or officer of any corporation or other association, or in any other manner or capacity whatsoever, except on behalf of the Company or an Affiliate, solicit business, or attempt to solicit business, in products or services competitive with any products or services provided by the Company or any Affiliate, from the Company's or Affiliate's partners or clients (or any prospective partner or client) as of the Termination Date, or any other Person with whom the Company or Affiliate did business, or had a business relationship with, within the one (1) year period immediately preceding the Termination Date.

5.7 **Non-Competition Restriction**. The Executive shall not, directly or indirectly for himself or for any other Person, in any geographic area or market where (a) the Company or any Affiliate is conducting any business or actively reviewing prospects or (b) the Company or an Affiliate has conducted any business during the previous 12-month period:

engage in any business competitive with the oil and gas exploration and production business activity conducted by the Company and its Affiliates (the "Business"); or

render advice or services to, or otherwise assist, any Person who is engaged, directly or indirectly, in any business that is competitive with the Business.

For these purposes, if less than five percent (5%) of the revenues of any business are derived from activities competitive with the Business, then the first business shall not be considered to be competitive with the Business. These noncompetition obligations shall apply (a) during the period that the Executive is employed by the Company and (b) for a period of one (1) year after the Termination Date for whatever reason.

5.8 **No-Recruitment Restriction**. Executive agrees that during the Employment Period, and for a period of two (2) years from the end of the Employment Period for whatever reason, Executive will not, directly or indirectly, or by acting in concert with others, solicit or influence any employee of the Company or any Affiliate, or any other service provider thereto, to terminate or reduce such Person's employment or other relationship with the Company or any Affiliate.

The Executive shall not, directly or indirectly, for the Executive or for any other Person, in any geographic area or market where the Company or any of its Affiliates is conducting any business or has during the previous twelve (12) months conducted such business, induce any employee of the Company of any of its Affiliates to terminate his or her employment with the Company or such Affiliates, or hire or assist in the hiring of any such employee by any Person not affiliated with the Company, unless such employee has terminated employment with the Company and its Affiliates for at least thirty (30) days before such initial solicitation. These nonsolicitation obligations shall apply during the period that the Executive is employed by the Company and during the two-year period commencing on the Termination Date. Notwithstanding the foregoing, the provisions of this Section 5.8 shall not restrict the ability of the Company or its Affiliates to take any action with respect to the employment or the termination of employment of any of its employees, or for the Executive to participate in his capacity as an officer of the Company.

5.9 **Forfeiture of Severance Payment**. A "Forfeiture Event" for purposes of this Agreement will occur if (a) Executive violates any of the covenants or restrictions contained in Sections 5.1 through 5.8, or (b) the Company learns of facts within one (1) year following Executive's Termination Date that, if such facts had been known by the Company as of the Termination Date, would have resulted in the termination of Executive's employment hereunder for Cause, as determined by the Compensation Committee. In the event of a Forfeiture Event, within thirty (30) days of being notified by the Company in writing of the Forfeiture Event, Executive shall pay to the Company the full the amount of the Additional Payment received by Executive pursuant to Section 4.1(b), net of any tax withholdings that were previously withheld from such payment. Executive specifically recognizes and affirms that this Section 5.9 is a material part of this Agreement without which the Company would not have entered into this Agreement. Executive further covenants and agrees that should all or any part or application of this Section 5.9 be held or found invalid or unenforceable for any reason whatsoever by a court of competent jurisdiction or arbitrator in an action between Executive and the Company, then Executive shall promptly pay to the Company the amount of the Additional Payment, or such lesser amount as shall be determined to be the maximum reasonable and enforceable amount by a court or arbitrator, as applicable.

5.10 **Tolling**. If Executive violates any of the restrictions contained in Sections 5.1 through 5.8, the restrictive period will be suspended and will not run in favor of Executive from the time of the commencement of any violation until the time when Executive cures the violation to the Company's reasonable satisfaction.

5.11 **Reformation**. It is expressly understood and agreed that the Company and the Executive consider the restrictions contained in this Article 5 to be reasonable and necessary to protect the Confidential Information and reasonable business interests of the Company or its Affiliates. Nevertheless, if any of the aforesaid restrictions are found by a court having jurisdiction to be unreasonable, or overly broad as to geographic area or time, or otherwise unenforceable, the Parties intend for the restrictions therein set forth to be modified by such court or arbitrator so as to be reasonable and enforceable and, as so modified, to be fully enforced in the geographic area and for the time period to the full extent permitted by law.

5.12 **No Previous Restrictive Agreements**. Executive represents that, except for any agreements that he signed with his prior employers and provided copies of same to the CEO, or as otherwise disclosed in writing to the CEO, Executive is not bound by the terms of any agreement with any previous employer or other Person to (a) refrain from using or disclosing any trade secret or confidential or proprietary information in the course of Executive's employment by the Company or (b) refrain from competing, directly or indirectly, with the business of such previous employer or any other Person. Executive further represents that his performance of all the terms of this Agreement and his work duties for the Company does not, and will not, breach any agreement to keep in confidence proprietary information, knowledge or data acquired by Executive in confidence or in trust prior to Executive's employment with the Company, and Executive will not disclose to the Company or induce the Company to use any confidential or proprietary information or material belonging to any previous employer or other Person.

5.13 **Conflicts of Interest**. In keeping with his fiduciary duties to Company, Executive hereby agrees that he shall not become involved in a conflict of interest, or upon discovery thereof, allow such a conflict to continue at any time during the Employment Period. Moreover, Executive agrees that he shall abide by the Company's Code of Conduct, as it may be amended from time to time, and immediately disclose to both CEO and the Board of Directors any known facts which might involve a conflict of interest of which the CEO or the Board of Directors was not aware.

5.14 **Remedies**. Executive acknowledges that the restrictions contained in this Article 5, in view of the nature of the Company's business, are reasonable and necessary to protect the Company's legitimate business interests, and that any violation of this Agreement would result in irreparable injury to the Company. In the event of a breach or a threatened breach by Executive of any provision of Article 5, the Company shall be entitled to a temporary restraining order and injunctive relief restraining Executive from the commission of any breach, and to recover the Company's attorneys' fees, costs and expenses related to the breach or threatened breach. Nothing contained in this Agreement shall be construed as prohibiting the Company from pursuing any other remedies available to it for any such breach or threatened breach, including, without limitation, the recovery of money damages, attorneys' fees, and costs. These covenants and disclosures shall each be construed as independent of any other provisions in this Agreement, and the existence of any claim or cause of action by Executive against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of such covenants and agreements.

The Executive acknowledges that money damages would not be sufficient remedy for any breach of Article 5 by the Executive, and the Company shall also be entitled to specific performance as an available remedy for any such breach or any threatened breach. The remedies provided in this Section 5.14 shall not be deemed the exclusive remedies for a breach of Article 5, but shall be in addition to all remedies available at law or in equity.

5.15 **No Disparaging Comments**. Executive and the Company shall refrain from any criticisms or disparaging comments about each other or in any way relating to Executive's employment or separation from employment; provided, however, that nothing in this Agreement shall apply to or restrict in any way the communication of information by the Company or any of

its Affiliates or by the Executive to any state or federal law enforcement agency. The Company and Executive will not be in breach of this covenant solely by reason of testimony or disclosure that is required for compliance with applicable law or regulation or by compulsion of law. A violation or threatened violation of this prohibition may be enjoined by a court of competent jurisdiction. The rights under this provision are in addition to any and all rights and remedies otherwise afforded by law to the Parties.

Executive acknowledges that in executing this Agreement, he has knowingly, voluntarily, and intelligently waived any free speech, free association, free press or First Amendment to the United States Constitution (including, without limitation, any counterpart or similar provision or right under the Texas Constitution or any other state constitution which may be deemed to apply) rights to disclose, communicate, or publish disparaging information or comments concerning or related to the Company or its Affiliate; provided, however, nothing in this Agreement shall be deemed to prevent Executive from testifying fully and truthfully in response to a subpoena from any court or from responding to an investigative inquiry from any governmental agency.

5.16 **Company Documents and Property**. All writings, records, and other documents and things comprising, containing, describing, discussing, explaining, or evidencing any Confidential Information, and all equipment, components, parts, tools, and the like in Executive's custody, possession or control that have been obtained or prepared in the course of Executive's employment with the Company shall be the exclusive property of the Company, shall not be copied and/or removed from the premises of the Company, except in pursuit of the business of the Company, and shall be delivered to the Company, without Executive retaining any copies or electronic versions, promptly upon notification of the termination of Executive's employment or at any other time requested by the Company. The Company shall have the right to retain, access, and inspect all property of any kind in the office or premises of the Company.

## Article 5.
## GENERAL PROVISIONS

6.1 **Matters Relating to Section 409A of the Code**. Notwithstanding any provision in this Agreement to the contrary, if the payment of any compensation or benefit provided hereunder (including, without limitation, any Termination Benefits) would be subject to additional taxes and interest under Section 409A of the Code ("Section 409A"), then the following provisions shall apply:

(a) Notwithstanding anything to the contrary in this Agreement, with respect to any amounts payable to Executive under this Agreement in connection with a termination of Executive's employment that would be considered "non-qualified deferred compensation" that is subject to, and not exempt under, Section 409A, a termination of employment shall not be considered to have occurred under this Agreement unless and until such termination constitutes Executive's Separation From Service.

(b) Notwithstanding anything to the contrary in this Agreement, to the maximum extent permitted by applicable law, the Termination Benefits provided to Executive pursuant to this Agreement shall be made in reliance upon Treasury Regulation

Section 1.409A-1(b)(9)(iii) (relating to separation pay plans) or Treasury Regulation Section 1.409A-1(b)(4) (relating to short-term deferrals). However, to the extent any such payments are treated as "non-qualified deferred compensation" subject to Section 409A, and if Executive is determined by the Company at the time of his Separation from Service to be a "specified employee" for purposes of Section 409A, then to the extent delayed payment of the Termination Benefits to which Executive is entitled under this Agreement is required in order to avoid a prohibited payment under Section 409A, such severance payment shall not be made to Executive before the earlier of (1) the expiration of the six-month period measured from the date Executive's Separation from Service or (2) the date of Executive's death. Upon the earlier of such dates, all payments deferred pursuant to this Section 6.1 shall be paid in a lump sum to Executive (or to Executive's Designated Beneficiary in the event of his death).

(c) The determination of whether Executive is a "specified employee" for purposes of Section 409A at the time of his Separation from Service shall be made by the Company in accordance with the requirements of Section 409A.

(d) Notwithstanding anything to the contrary in this Agreement or in any separate Company policy, with respect to any in-kind benefits and reimbursements provided under this Agreement during any tax year of Executive shall not affect in-kind benefits or reimbursements to be provided in any other tax year of Executive and are not subject to liquidation or exchange for another benefit. Reimbursement requests must be timely submitted by Executive, and if timely submitted, reimbursement payments shall be made to Executive as soon as administratively practicable following such submission in accordance with the Company's policy regarding reimbursements, but in no event later than the last day of Executive's taxable year following the taxable year in which the expense was incurred. This Section 6.1 shall only apply to in-kind benefits and reimbursements that would result in taxable compensation income to Executive.

(e) This Agreement is intended to be written, administered, interpreted and construed in a manner such that no payment under this Agreement becomes subject to (1) the gross income inclusion under Section 409A or (2) the interest and additional tax under Section 409A (collectively, "Section 409A Penalties"), including, where appropriate, the construction of defined terms to have meanings that would not cause the imposition of the Section 409A Penalties. For purposes of Section 409A, each payment that Executive may be eligible to receive under this Agreement shall be treated as a separate and distinct payment and shall not collectively be treated as a single payment. If any provision of this Agreement would cause Executive to incur the Section 409A Penalties, the Company may, after consulting with Executive, reform such provision to comply with Section 409A or to preclude imposition of the Section 409A Penalties, to the full extent permitted under Section 409A.

6.2 **Withholdings; Right of Offset**. The Company may withhold and deduct from any benefits and payments made or to be made pursuant to this Agreement (a) all federal, state, local, foreign, and other taxes as may be required pursuant to any law or governmental regulation

or ruling, (b) all other normal employee deductions made with respect to Company's employees generally, and (c) any advances made to Executive and owed to Company.

6.3 **Nonalienation**. The right to receive payments under this Agreement shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge or encumbrance by Executive, his dependents or beneficiaries, or to any other Person who is or may become entitled to receive such payments hereunder. The right to receive payments hereunder shall not be subject to or liable for the debts, contracts, liabilities, engagements or torts of any Person who is or may become entitled to receive such payments, nor may the same be subject to attachment or seizure by any creditor of such Person under any circumstances, and any such attempted attachment or seizure shall be void and of no force and effect.

6.4 **Incompetent or Minor Payees**. Should the Compensation Committee determine, in its discretion, that any Person to whom any payment is payable under this Agreement has been determined to be legally incompetent or is a minor, any payment due hereunder, notwithstanding any other provision of this Agreement to the contrary, may be made in any one or more of the following ways: (a) directly to such Person; (b) to the legal guardian or other duly appointed personal representative of the individual or the estate of such Person; or (c) to such adult or adults as have, in the good faith knowledge of the Compensation Committee, assumed custody and support of such Person; and any payment so made shall constitute full and complete discharge of any liability under this Agreement in respect to the amount paid.

6.5 **Indemnification**. The Company agrees to indemnify the Executive with respect to any acts or omissions he may commit during the period during which he is an officer, director and/or employee of the Company or any Affiliate, and to provide him with coverage under any directors' and officers' liability insurance policies, in each case on terms not less favorable than those provided to any of its other directors and officers as in effect from time to time.

6.6 **Successors and Assigns**. This Agreement shall be binding upon and inure to the benefit of the Company and any successor of the Company (whether direct or indirect, by purchase, merger, consolidation or otherwise), and this Agreement shall inure to the benefit of and be enforceable by Executive's legal representatives. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as previously defined and any successor by operation of law or otherwise, as well as any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement. Except as provided in the preceding provisions of this Section 6.6, this Agreement, and the rights and obligations of the Parties hereunder, are personal in nature and neither this Agreement, nor any right, benefit, or obligation of either Party hereto, shall be subject to voluntary or involuntary assignment, alienation or transfer, whether by operation of law or otherwise, without the written consent of the other Party.

6.7 **Notice**. Each Notice or other communication required or permitted under this Agreement shall be in writing and transmitted, delivered, or sent by personal delivery, prepaid

courier or messenger service (whether overnight or same-day), or prepaid certified United States mail (with return receipt requested), addressed (in any case) to the other Party at the address for that Party set forth below or under that Party's signature on this Agreement, or at such other address as the recipient has designated by Notice to the other Party.

To the Company: VAALCO Energy, Inc.
9800 Richmond Avenue, Suite 700
Houston, Texas 77042
Attention: Eric J. Christ,
Vice President, General Counsel & Corporate Secretary

To Executive: Don McCormack

8713 Cedardale Dr.
Houston, Texas 77055

Each Notice or communication so transmitted, delivered, or sent (a) in person, by courier or messenger service, or by certified United States mail (return receipt requested) shall be deemed given, received, and effective on the date delivered to or refused by the intended recipient (with the return receipt, or the equivalent record of the courier or messenger, being deemed conclusive evidence of delivery or refusal), or (b) by telecopy or facsimile shall be deemed given, received, and effective on the date of actual receipt (with the confirmation of transmission being deemed conclusive evidence of receipt, except where the intended recipient has promptly Notified the other Party that the transmission is illegible). Nevertheless, if the date of delivery or transmission is not a Business Day, or if the delivery or transmission is after 4:00 p.m. (local time at the recipient) on a Business Day, the Notice or other communication shall be deemed given, received, and effective on the next Business Day.

6.8 **Mandatory Arbitration of Disputes**. Except as provided in subsection (h) of this Section 6.8, any Dispute must be resolved by binding arbitration in accordance with the following:

(a) Either Party may begin arbitration by filing a demand for arbitration in accordance with the Arbitration Rules and concurrently Notifying the other Party of that demand. If the Parties are unable to agree upon the choice of an arbitrator within twenty (20) Business Days after the demand for arbitration was filed (and do not agree to an extension of that 20-day period), either Party may request the Houston, Texas, office of the American Arbitration Association ("AAA") to appoint the arbitrator in accordance with the Arbitration Rules. The arbitrator, as so appointed hereunder, is referred to herein as the "Arbitrator".

(b) The arbitration shall be conducted in the Houston, Texas metropolitan area, at a place and time agreed upon by the Parties with the Arbitrator, or if the Parties cannot agree, as designated by the Arbitrator. The Arbitrator may, however, call and conduct hearings and meetings at such other places as the Parties may mutually agree or

as the Arbitrator may, on the motion of one Party, determine to be necessary to obtain significant testimony or evidence.

(c) The Arbitrator may authorize any and all forms of discovery upon a Party's showing of need that the requested discovery is likely to lead to material evidence needed to resolve the Dispute and is not excessive in scope, timing, or cost.

(d) The arbitration shall be subject to the Federal Arbitration Act and conducted in accordance with the Arbitration Rules to the extent that they do not conflict with this Section 6.8. The Parties and the Arbitrator may, however, agree to vary to provisions of this Section 6.8 or the matters otherwise governed by the Arbitration Rules.

(e) The arbitration hearing shall be held within sixty (60) days after the appointment of the Arbitrator. The Arbitrator's final decision or award shall be made within thirty (30) days after the hearing. That final decision or award by the Arbitrator shall be deemed issued at the place of arbitration. The Arbitrator's final decision or award shall be based on this Agreement and applicable law.

(f) The Arbitrator's final decision or award may include injunctive relief in response to any actual or impending breach of this Agreement or any other actual or impending action or omission by a Party in connection with this Agreement.

(g) The Arbitrator's final decision or award shall be final and binding upon the Parties, and judgment upon that decision or award may be entered in any court having jurisdiction. The Parties shall have any appeal rights afforded to them under the Federal Arbitration Act.

(h) Nothing in this Section 6.8 shall limit the right of either Party to apply to a court having jurisdiction to: (1) enforce the agreement to arbitrate in accordance with this Section 6.8; (2) seek provisional or temporary injunctive relief in response to an actual or impending breach of the Agreement or otherwise so as to avoid an irreparable damage or maintain the status quo, until a final arbitration decision or award is rendered or the Dispute is otherwise resolved; or (3) challenge or vacate any final Arbitrator's decision or award that does not comply with this Section 6.8. In addition, nothing in this Section 6.8 prohibits the Parties from resolving any Dispute (in whole or in part) by mutual agreement at any time, including, without limitation, through the use of personal negotiations or mediation with a third party.

(i) The Arbitrator may proceed to an award notwithstanding the failure of any Party to participate in such proceedings. The prevailing Party in the arbitration proceeding may be entitled to an award of reasonable attorneys' fees incurred in connection with the arbitration in such amount, if any, as determined by the Arbitrator in his discretion. The costs of the arbitration shall be borne equally by the Parties unless otherwise determined by the Arbitrator in the award.

(j) The Arbitrator shall be empowered to impose sanctions and to take such other actions as it deems necessary to the same extent a judge could impose sanctions or take such other actions pursuant to the Federal Rules of Civil Procedure and applicable law. Each Party agrees to keep all Disputes and arbitration proceedings strictly confidential except for the disclosure of information required by applicable law.

(k) Executive acknowledges that by agreeing to this provision, he knowingly and voluntarily waives any right he may have to a jury trial based on any claims he has, had, or may have against the Company or an Affiliate, including any right to a jury trial under any local, municipal, state or federal law.

6.9 **Severability**. It is the desire of the Parties hereto that this Agreement be enforced to the maximum extent permitted by law, and should any provision contained herein be held unenforceable by a court of competent jurisdiction or arbitrator (pursuant to Section 6.8), the Parties hereby agree and consent that such provision shall be reformed to create a valid and enforceable provision to the maximum extent permitted by law; provided, however, if such provision cannot be reformed, it shall be deemed ineffective and deleted herefrom without affecting any other provision of this Agreement. This Agreement should be construed by limiting and reducing it only to the minimum extent necessary to be enforceable under then applicable law.

6.10 **No Third Party Beneficiaries**. This Agreement shall be binding upon and inure to the benefit of the Parties hereto, and to their respective successors and permitted assigns hereunder, but otherwise this Agreement shall not be for the benefit of any Persons who are third parties.

6.11 **Waiver of Breach**. No waiver by either Party of a breach of any provision of this Agreement by the other Party, or of compliance with any condition or provision of this Agreement to be performed by the other Party, will operate or be construed as a waiver of any subsequent breach by the other Party or any similar or dissimilar provision or condition at the same or any subsequent time. The failure of either Party to take any action by reason of any breach will not deprive such Party of the right to take action at any time while such breach continues.

6.12 **Survival of Certain Provisions**. Wherever appropriate to the intention of the Parties, the respective rights and obligations of the Parties hereunder shall survive any termination or expiration of this Agreement or following the Executive's Termination Date.

6.13 **Entire Agreement; Amendment and Termination**. This Agreement contains the entire agreement of the Parties with respect to the matters covered herein; moreover, this Agreement supersedes all prior and contemporaneous agreements and understandings, oral or written, between the Parties concerning the subject matter hereof. This Agreement may be amended, waived or terminated only by a written instrument that is identified as an amendment, waiver or termination hereto and that is executed by or on behalf of each Party.

6.14 **Interpretive Matters**. In the interpretation of the Agreement, except where the context otherwise requires:

(a) Headings. The Agreement headings are for reference purposes only and will not affect in any way the meaning or interpretation of this Agreement.

(b) The terms “including” and “include” do not denote or imply any limitation.

(c) The conjunction “or” has the inclusive meaning “and/or”.

(d) The singular includes the plural, and vice versa, and each gender includes each of the others.

(e) The term “month” refers to a calendar month.

(f) Reference to any statute, rule, or regulation includes any amendment thereto or any statute, rule, or regulation enacted or promulgated in replacement thereof.

(g) The words “herein”, “hereof”, “hereunder” and other compounds of the word “here” shall refer to the entire Agreement and not to any particular provision;

(h) All amounts referenced herein are in U.S. dollars.

6.15 **Governing Law; Jurisdiction**. All matters or issues relating to the interpretation, construction, validity, and enforcement of this Agreement shall be governed by the laws of the State of Texas, without giving effect to any choice-of-law principle that would cause the application of the laws of any jurisdiction other than Texas. Jurisdiction and venue of any action or proceeding relating to this Agreement or any Dispute (to the extent arbitration is not required under Section 6.8) shall be exclusively in the federal and state courts of competent jurisdiction in the Houston, Texas metropolitan area.

6.16 **Executive Acknowledgment**. Executive acknowledges that (a) he is knowledgeable and sophisticated as to business matters, including the subject matter of this Agreement, (b) he has read this Agreement and understands its terms and conditions, (c) he has had ample opportunity to discuss this Agreement with his legal counsel prior to execution, and (d) no strict rules of construction shall apply for or against the drafter or any other Party. Executive represents that he is free to enter into this Agreement including, without limitation, that he is not subject to any covenant not to compete or other restrictive covenant that would conflict with his employment duties and covenants under this Agreement.

6.17 **Counterparts**. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument. Each counterpart may consist of a copy hereof containing multiple signature pages, each signed by one Party hereto, but together signed by both Parties.

*[Signature page follows.]*

IN WITNESS WHEREOF, Executive has hereunto set his hand and Company has caused this Agreement to be executed in its name and on its behalf by its duly authorized officer, to be effective as of the Effective Date.

| | |
|---|---|
| WITNESS: | **EXECUTIVE**: |
| Signature: /s/ Eric J. Christ | Signature: /s/ Don McCormack |
| Name: Eric J. Christ | Name: Don McCormack |
| Date: November 1, 2015 | Date: November 1, 2015 |

| | |
|---|---|
| ATTEST: | **COMPANY**: |
| | **VAALCO ENERGY, INC.** |
| By: /s/ Jessica Catter | By: /s/ Stephen P. Guidry |
| Name: Jessica Catter | Name: Steven P. Guidry |
| Date: October 29, 2015 | Title: Chief Executive Officer |
| | Date: October 29, 2015 |

**APPENDIX A**

**Definitions Appendix**

1. "Affiliate" has the same meaning ascribed to such term in Rule 12b-2 under the Securities Exchange Act of 1934, as amended from time to time.

2. "Anticipatory Termination" means a Separation From Service of the Executive within the time period that begins on the first day of the month that is three (3) months immediately preceding the first day of the month containing the Change in Control Date and ends on the Change in Control Date, but only if the Executive's Separation From Service was (a) due to a termination by the Company without Cause or (b) a termination by the Executive for Good Reason. For purposes of clarification and not limitation, a Separation From Service for Cause, or due to Executive's death or Disability or his voluntary resignation without Good Reason, is not an Anticipatory Termination.

3. "Arbitration Rules" means the Rules for Employment Arbitrations of the American Arbitration Association, as in effect at the time of arbitration of a Dispute.

4. "Board" means the then-current Board of Directors of the Company.

5. "Business Day" means any Monday through Friday, excluding any such day on which banks are authorized to be closed in Texas.

6. "Cause" shall mean the termination by the Company of the Executive's employment with the Company by reason of (a) the conviction of the Executive by a court of competent jurisdiction as to which no further appeal can be taken of a crime involving moral turpitude or a felony; (b) the commission by the Executive of a material act of fraud upon the Company or any Subsidiary, or any customer or supplier thereof; (c) the misappropriation of any funds or property of the Company or any Subsidiary, or any customer or supplier thereof, by the Executive; (d) the willful and continued failure by the Executive to perform the material duties assigned to him that is not cured to the reasonable satisfaction of the Company within 30 days after written notice of such failure is provided to Executive by the Board or the Compensation Committee (or by an officer of the Company who has been designated by the Board or the Compensation Committee for such purpose); (e) the engagement by the Executive in any direct and material conflict of interest with the Company or any Subsidiary without compliance with the Company's or Subsidiary's conflict of interest policy, if any, then in effect; or (f) the engagement by the Executive, without the written approval of the Board or the Compensation Committee, in any material activity which competes with the business of the Company or any Subsidiary or which would result in a material injury to the business, reputation or goodwill of the Company or any Subsidiary.

7. "Change in Control" means the occurrence of any one or more of the following events:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act (a "Person")) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of fifty percent

(50%) or more of either (i) the then outstanding shares of common stock of the Company (the "Outstanding Company Stock") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change in Control: (i) any acquisition directly from the Company or any Subsidiary, (ii) any acquisition by the Company or any Subsidiary or by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary, or (iii) any acquisition by any corporation pursuant to a reorganization, merger, consolidation or similar business combination involving the Company (a "Merger"), if, following such Merger, the conditions described in Section 7.8(c) (below) are satisfied;

(b) Individuals who, as of the Effective Date, constitute the Board of Directors of the Company (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Effective Date whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(c) The consummation of a Merger involving the Company, unless immediately following such Merger, (i) substantially all of the holders of the Outstanding Company Voting Securities immediately prior to Merger beneficially own, directly or indirectly, more than fifty percent (50%) of the common stock of the corporation resulting from such Merger (or its parent corporation) in substantially the same proportions as their ownership of Outstanding Company Voting Securities immediately prior to such Merger and (ii) at least a majority of the members of the board of directors of the corporation resulting from such Merger (or its parent corporation) were members of the Incumbent Board at the time of the execution of the initial agreement providing for such Merger;

(d) The sale consummation, or other disposition of all or substantially all of the assets of the Company, unless immediately following such sale or other disposition, (i) substantially all of the holders of the Outstanding Company Voting Securities immediately prior to the consummation of such sale or other disposition beneficially own, directly or indirectly, more than fifty percent (50%) of the common stock of the corporation acquiring such assets in substantially the same proportions as their ownership of Outstanding Company Voting Securities immediately prior to the consummation of such sale or disposition, and (ii) at least a majority of the members of the board of directors of such corporation (or its parent corporation) were members of the Incumbent Board at the time of execution of the initial agreement or action of the Board providing for such sale or other disposition of assets of the Company; or

(e) The approval by the stockholders of the Company or the Board of a plan for the complete liquidation or dissolution of the Company.

Notwithstanding the foregoing provisions of this Change in Control definition, to the extent that any payment (or acceleration of payment) under the Agreement is considered to be deferred compensation that is subject to, and not exempt under, Code Section 409A, then the term Change in Control hereunder shall be construed to have the meaning as set forth in Code Section 409A with respect to the payment (or acceleration of payment) of such deferred compensation, but only to the extent inconsistent with the foregoing provisions of this definition as determined by the Incumbent Board.

8. "Change in Control Date" means the first date upon which a Change in Control event occurs, provided that such date is during (a) the Employment Period or (b) the three-month period following the Employment Period as specified in the definition of "Anticipatory Termination" if applicable.

9. "CIC Window Period" means (a) the time period beginning on the Change in Control Date and ending on the last day of the twelve (12) consecutive month period that begins immediately following the last day of the month containing the Change in Control Date, or (b) following an Anticipatory Termination, the occurrence of a Change in Control (which Change in Control must qualify as a "change in control event" within the meaning of Section 409A) within the three-month period that is specified in the definition of "Anticipatory Termination".

10. "Code" means the Internal Revenue Code of 1986, as amended, or its successor. References herein to any Section of the Code shall include any successor provisions of the Code.

11. "Confidential Information" means any information or material known to, or used by or for, the Company or an Affiliate (whether or not owned or developed by the Company or an Affiliate and whether or not developed by Executive) that is not generally known by other Persons in the Business. For all purposes of the Agreement, Confidential Information includes, but is not limited to, the following: all trade secrets of the Company or an Affiliate; all non-public information that the Company or an Affiliate has marked as confidential or has otherwise described to Executive (either in writing or orally) as confidential; all non-public information concerning the Company's or Affiliate's products, services, prospective products or services, research, prospects, leases, surveys, seismic data, drilling data, designs, prices, costs, marketing plans, marketing techniques, studies, test data, leasehold and royalty owners, investors, suppliers and contracts; all business records and plans; all personnel files; all financial information of or concerning the Company or an Affiliate; all information relating to the Company's operating system software, application software, software and system methodology, hardware platforms, technical information, inventions, computer programs and listings, source codes, object codes, copyrights and other intellectual property; all technical specifications; any proprietary information belonging to the Company or an Affiliate; all computer hardware or software manuals of the Company or an Affiliate; all Company or Affiliate training or instruction manuals; all Company or Affiliate electronic data; and all computer system passwords and user codes.

12. "Designated Beneficiary" means Executive's surviving spouse, if any, as determined for purposes of the Code. If there is no such surviving spouse at the time of Executive's death, then the Designated Beneficiary shall be Executive's estate.

13. "Disability" shall mean that Executive is entitled to receive long-term disability ("LTD") income benefits under the LTD plan or policy maintained by the Company or an Affiliate that covers Executive. If, for any reason, Executive is not covered under such LTD plan or policy, then "Disability" shall mean a "permanent and total disability" as defined in Code Section 22(e)(3) and Treasury regulations thereunder. Evidence of such Disability shall be certified by a physician acceptable to both the Company and Executive. In the event that the Parties are not able to agree on the choice of a physician, each shall select one physician who, in turn, shall select a third physician to render such certification. All costs relating to the determination of whether Executive has incurred a Disability shall be paid by the Company. Executive agrees to submit to any examinations that are reasonably required by the attending physician or other healthcare service providers to determine whether he has a Disability.

14. "Dispute" means any dispute, disagreement, controversy, claim, or cause of action arising in connection with or relating to this Agreement or Executive's employment or termination of employment hereunder, or the validity, interpretation, performance, breach, modification or termination of this Agreement.

15. "Good Reason" means, with respect to Executive, the occurrence of any one or more of the following events which first occurs during the Employment Period, except as a result of actions taken in connection with termination of Executive's employment for Cause or Disability, and without Executive's specific written consent:

(a) The assignment to Executive of any duties that are materially inconsistent with Executive's executive position, which in this definition includes status, reporting relationship to the CEO, office, title, scope of responsibility over corporate level staff or operations functions, or responsibilities as an officer of the Company, or any other material diminution in Executive's position, authority, duties, or responsibilities, other than (in any case or circumstance) an isolated and inadvertent action not taken in bad faith that is remedied by the Company within thirty (30) Business Days after Notice thereof to the Company by Executive; or

(b) The Company requires Executive to be based at any office or location that is farther than forty (40) miles from Executive's principal office location located in the Houston, Texas metropolitan area, except for required business travel; or

(c) Any failure by the Company to obtain an assumption of this Agreement by its successor in interest, or any action or inaction that constitutes a material breach by the Company of this Agreement.

Notwithstanding the foregoing definition of "Good Reason", Executive cannot terminate his employment under the Agreement for Good Reason unless Executive (1) first provides written Notice to the Compensation Committee of the event (or events) that Executive believes constitutes a Good Reason event (above) within sixty (60) days

from the first occurrence date of such event, and (2) provides the Company with at least thirty (30) Business Days to cure, correct or mitigate the Good Reason event so that it either (A) does not constitute a Good Reason event hereunder or (B) Executive specifically agrees, in writing, that after any such modification or accommodation by the Company, such event does not constitute a Good Reason event hereunder.

16. "Notice of Termination" means a written Notice which (a) indicates the specific termination provision in the Agreement that is being relied upon, (b) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated, and (c) if the Termination Date is other than the date of receipt of such Notice, specifies the termination date (which date shall be not more than sixty (60) days after the giving of such Notice). Any termination of Executive by the Company for Cause, or by Executive for Good Reason, shall be communicated by Notice of Termination to the other Party. The failure by Executive or the Company to set forth in the Notice of Termination any fact or circumstance that contributes to a showing of Good Reason or Cause shall not waive any right of such Party, or preclude such Party from asserting, such fact or circumstance in enforcing such Party's rights.

17. "No Severance Benefits Event" means termination of Executive's employment under the Agreement for Cause.

18. "Notice" means a written communication complying with Section 6.7 ("Notify" has the correlative meaning).

19. "Person" means any individual, firm, corporation, partnership, limited liability company, trust, or other entity, including any successor (by merger or otherwise) of such entity.

20. "Release" means a separation and release agreement, in such form as is prepared and delivered by the Company to Executive. The Release shall not release any claim by or on behalf of Executive for any payment or other benefit that is required under this Agreement prior to the receipt thereof, except as may otherwise be agreed to by Executive.

21. "Separation From Service" means Executive's "separation from service" with the Company and its Affiliates, as such term is defined under Code Section 409A.

22. "Severance Payment Event" means either a (a) "CIC Severance Payment Event" or (b) "Regular Severance Payment Event", as such terms are defined below.

(a) "CIC Severance Payment Event" means either: the Executive's Separation From Service with the Company and all Affiliates that occurs within the CIC Window Period, other than (1) voluntarily by the Executive unless such resignation is for Good Reason, (2) due to Executive's death or Disability, or (3) involuntarily by the Company for Cause. Any Separation From Service of the Executive that does not occur within the CIC Window Period, or is otherwise not described in this subsection (a), shall not be considered a CIC Severance Payment Event.

(b) "Regular Severance Payment Event" means a Separation From Service that is not a CIC Severance Payment Event and such Separation From Service is due to:

(1) involuntarily termination of Executive's Employment by the Company, except due to a No Severance Benefits Event, (2) termination of Executive's Employment due to his death or Disability, or (3) termination of Executive's Employment for Good Reason.

For all purposes of this definition of "Severance Payment Event", any transfer of the Executive's Employment from the Company to an Affiliate, from an Affiliate to the Company, or from one Affiliate to another Affiliate, is not a Separation From Service of the Executive (though any such transfer might, depending on the circumstances, constitute or result in a Separation From Service by the Executive for Good Reason). Any termination by the Company of the Executive for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other Party.

23. "Specialized Training" includes the training the Company provides to Executive that is unique to its business and enhances Executive's ability to perform his job duties effectively, which includes, without limitation, orientation training, operation methods training, and computer and systems training.

24. "Subsidiary" means a corporation or other entity, whether incorporated or unincorporated, of which at least a majority of the voting securities is owned, directly or indirectly, by the Company.

25. "Termination Benefits" means the benefits described in Section 4.1(b).

26. "Termination Date" means the date on which Executive's employment terminates with the Company and all Affiliates. Notwithstanding anything herein to the contrary, the date on which a "separation from service" under Code Section 409A is effective shall be the Termination Date with respect to any payment or benefit to or on behalf of Executive that constitutes deferred compensation that is subject to, and not exempt from or excepted under, Code Section 409A.

**APPENDIX B**
***TO***
**EXECUTIVE EMPLOYMENT AGREEMENT**

**RELEASE AGREEMENT**

In consideration of the Termination Benefits as set forth in that certain Executive Employment Agreement (the "**Employment Agreement**") dated as of _____, and as it may be amended thereafter, by and between VAALCO Energy, Inc. (the "**Company**") and Don McCormack ("**Executive**"), this Release Agreement (the "**Agreement**") is made and entered into by the Company and the Executive (each a "**Party**" and together, the "**Parties**").

By signing this Release Agreement, Executive and the Company hereby agree as follows:

**1. Purpose**. The purpose of this Agreement is to provide for the orderly termination of the employment relationship between the Parties, and to voluntarily resolve any actual or potential disputes or claims that Executive has, had or may ever have, as of the date of Executive's execution of this Agreement, against (a) the Company and all of its parents, predecessors, successors, Affiliates (as defined in the Employment Agreement), divisions, related companies and organizations, and its and their present and former agents, employees, managers, officers, directors, attorneys, stockholders, plan fiduciaries, assigns, agents, representatives, and all other Persons (as defined in the Employment Agreement) acting by, through or in concert with any of them and (b) all compensation and benefit plans and programs sponsored or maintained by the Company and the administrators, trustees, insurers, and fiduciaries of such plans and programs (hereinafter, all the persons and entities in clauses (a) and (b) being individually and collectively referred to as the "**Released Parties**"). Neither the fact that this Agreement has been proposed or executed, nor the terms of this Agreement, are intended to suggest, or should be construed as suggesting, that the Released Parties have acted unlawfully or violated any federal, state or local law or regulation, or any other duty, policy or contract involving Executive.

**2. Termination of Employment**. Effective as of the close of business on _____ (the "**Termination Date**"), Executive's employment with the Company and all of its Affiliates has voluntarily terminated.

**3. Termination Benefits**. In consideration for Executive's execution of, and required performance under, this Agreement, the Company shall provide Executive with the Termination Benefits (as defined in the Employment Agreement, which definition and other terms in the Employment Agreement are incorporated herein by this reference). Executive confirms and agrees that he would not otherwise have received, or been entitled to receive, the Termination Benefits if he did not enter into this Agreement.

**4. Waiver of Additional Compensation or Benefits**. The Termination Benefits to be paid to Executive constitutes the entire amount of compensation and consideration due to Executive under the Employment Agreement and this Agreement, and Executive acknowledges that he has

no right to seek, and will not seek, any additional or different compensation or consideration for executing or performing under the Employment Agreement or this Agreement.

**5. Non-Disparagement.** Executive hereby agrees not to disclose, communicate, or publish any disparaging or negative information, writings, electronic communications, comments, opinions, facts, or remarks, of any kind, about the Company and/or any of the other Released Parties; provided, however, that this paragraph shall have no application to any evidence or testimony required by any court or other government entity, including but not limited to, the U.S. Equal Employment Opportunity Commission ("**EEOC**") or any similar federal, state or local agency, under compulsion of law. Executive acknowledges that in executing this Agreement, Executive has knowingly, voluntarily and intelligently waived any free speech or First Amendment rights under the United States Constitution or applicable state counterpart to disclose, publish or communicate any such disparaging information about the Company and/or any of the other Released Parties.

**6. Executive Representations**. Executive expressly acknowledges and represents, and intends for the Company to rely upon the following in entering the Agreement:

(a) Executive has not filed any complaints, claims or actions against the Company or any of the other Released Parties with any court, agency, or commission regarding the matters encompassed by this Agreement and, by executing this Agreement, Executive hereby waives the right to recover monetary damages in any proceeding that (1) Executive may bring before the EEOC or any state or local human rights commission or (2) may be brought by the EEOC or any state or local human rights commission by or on Executive's behalf.

(b) Executive understands that he is, by entering into this Agreement, releasing the Released Parties, including the Company, from any and all claims he has, had or may ever have against them under federal, state or local laws, which have arisen on or before the execution date of this Agreement.

(c) Executive understands that he is, by entering into this Agreement, waiving all claims that he has, had or may ever have against the Released Parties under the federal Age Discrimination in Employment Act of 1967, as amended, which have arisen on or before the execution date of this Agreement.

(d) Executive agrees that this Agreement shall be binding on him and his heirs, administrators, representatives, executors, successors, and assigns, and shall inure to the benefit of his heirs, administrators, representatives, executors, successors and assigns.

(e) Executive has reviewed all aspects of this Agreement, and has carefully read and fully understands all of the provisions and effects of this Agreement.

**(f) Executive has been, and is hereby, advised in writing to consult with an attorney of his own choice before signing this Agreement.**

(g) Executive is knowingly and voluntarily entering into this Agreement, and has relied solely and completely upon his own judgment and, if applicable, the advice of his own attorney in entering into this Agreement.

( h ) Executive is not relying upon any representations, promises, predictions, projections or statements made by or on behalf of the Company or any of the other Released Parties, other than those that are specifically stated in this Agreement.

( i ) Executive does not waive rights or claims that may arise after the date this Agreement is signed below.

(j) This Agreement shall be, in all cases, construed as a whole according to its fair meaning, and not strictly for or against any of the Parties.

( k ) Executive will receive payment of consideration under this Agreement that is beyond what Executive was entitled to receive before entering into this Agreement.

**7. Release**. Executive, on behalf of himself and his heirs, executors, administrators, successors and assigns, irrevocably and unconditionally releases, waives and forever discharges the Released Parties from and against any and all claims, demands, actions, causes of action, charges, complaints, liabilities, obligations, promises, sums of money, agreements, representations, controversies, disputes, damages, suits, right, sanctions, costs (including attorneys' fees), losses, debts and expenses of any nature whatsoever, whether known or unknown, fixed or contingent, which Executive has, had or may ever have against the Released Parties arising out of, concerning, or related to, his employment or separation from employment with the Company and its Affiliates, from the beginning of time and up to and including the date Executive executes this Agreement below. This Agreement includes, without limitation, (a) law or equity claims; (b) contract (express or implied) or tort claims; (c) claims arising under any federal, state or local laws of any jurisdiction that prohibit age, sex, race, national origin, color, disability, religion, veteran, military status, sexual orientation or any other form of discrimination, harassment, hostile work environment or retaliation (including, without limitation, the Age Discrimination in Employment Act of 1967, the Older Workers Benefit Protection Act, the Americans with Disabilities Act of 1990, the Americans with Disabilities Act Amendments Act of 2008, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Civil Rights Acts of 1866 and/or 1871, 42 U.S.C. Section 1981, the Rehabilitation Act, the Family and Medical Leave Act, the Sarbanes-Oxley Act, the Employee Polygraph Protection Act, the Worker Adjustment and Retraining Notification Act, the Equal Pay Act of 1963, the Lilly Ledbetter Fair Pay Act, the Uniformed Services Employment and Reemployment Rights Act of 1994, the Genetic Information and Nondiscrimination Act of 2008, the Texas Labor Code, Section 1558 of the Patient Protection and Affordable Care Act of 2010, the Consolidated Omnibus Budget Reconciliation Act of 1985, and any other federal, state or local laws of any jurisdiction); (d) claims under any other federal, state, local, municipal or common law whistleblower protection, discrimination, wrongful discharge, anti-harassment or anti-retaliation statute or ordinance; (e) claims arising under ERISA; or (f) any other statutory or common law claims related to Executive's employment or separation from employment with the Company and its Affiliates. Executive further represents that, as of the date of his execution of this Agreement, he has not been the victim of any illegal or wrongful acts by any of the Released Parties, including, without limitation, discrimination, retaliation, harassment or any other wrongful act based on sex, age, race, religion, or any other legally protected characteristic.

Notwithstanding the foregoing, this Agreement specifically does not release any claim or cause of action by or on behalf of Executive (or his beneficiary) (i) for any payment or other benefit that is required under the terms of either the Employment Agreement or pursuant to any Plan (as defined in the Employment Agreement) prior to the receipt thereof by or on behalf of Executive or (ii) arising out of the Company's obligation to indemnify the Executive in his capacity as a director, officer or employee of the Company or any Affiliate thereof, or as a former director, officer or employee of the Company or any Affiliate as provided in the Company's by-laws, any agreement to which the Executive is a party or beneficiary, at law, or otherwise.

**8. Entire Agreement**. This Agreement sets forth the entire agreement between the Parties and fully supersedes and replaces any and all prior agreements or understandings, written or oral, between the Parties pertaining to the subject matter of this Agreement.

**9. Severability**. Should any provision of this Agreement be declared or be determined by any court of competent jurisdiction to be illegal, invalid or unenforceable, the Agreement shall first be reformed to make the provision at issue enforceable and effective to the full extent permitted by law. If such reformation is not possible, all remaining provisions of this Agreement shall otherwise remain in full force and effect and shall be construed as if such illegal, invalid or unenforceable provision has not been included herein.

**10. Twenty-One Calendar Days to Consider Offer of Termination Benefits**. Executive shall have, and by signing this Agreement Executive acknowledges and represents that he has been given, a period of twenty-one (21) calendar days to consider whether to elect to sign this Agreement, and to thereby waive and release the rights and claims addressed in this Agreement. Although Executive may sign this Agreement prior to the end of the twenty-one (21) calendar day period, Executive may not sign this Agreement on or before the Termination Date. In addition, if Executive signs this Agreement prior to the end of the twenty-one (21) calendar day period, Executive shall be deemed, by doing so, to have certified and agreed that the decision to make such election prior to the expiration of the twenty-one (21) calendar day period is knowing and voluntary and was not induced by the Company through: (a) fraud, misrepresentation or a threat to withdraw or alter the offer prior to the end of the twenty-one (21) calendar day period; or (b) an offer to provide different terms or benefits in exchange for signing the Agreement prior to the expiration of the twenty-one (21) calendar day period. The procedure for Executive to accept this Agreement is to return a fully executed, dated and witnessed Agreement to the Chairman or Secretary of the Company's Board of Directors prior to the deadline.

**11. Seven Day Revocation Period**. Executive understands and acknowledges that he may revoke this Agreement at any time within seven (7) calendar days after he signs this Agreement. To revoke this Agreement, Executive must deliver written notification of such revocation to the attention of the Chairman or the Secretary of the Company's Board of Directors, within seven (7) calendar days after the date that he signs this Agreement. Executive further understands that if he does not revoke this Agreement within seven (7) calendar days following his execution of the Agreement (excluding the date of execution), the Agreement will become effective, binding and enforceable on both Parties.

**12. Agreement not to Sue**. Except as required by law that cannot be waived, Executive agrees that he will not commence, maintain, initiate, or prosecute, or cause, encourage, assist, volunteer, advise or cooperate with any other Person (as defined in the Executive Employment Agreement) to commence, maintain, initiate or prosecute, any action, lawsuit, proceeding, charge, petition, complaint or claim before any court, agency or tribunal against the Company or any Affiliate arising from, concerned with, or otherwise relating to, in whole or in part, Executive's employment or separation from employment with the Company, or any of the matters discharged and released in this Agreement. Notwithstanding the preceding sentence or any other provision of this Agreement or the Employment Agreement, this release and the Employment Agreement are not intended to interfere with Executive's right to file a charge with the EEOC or a state or local human rights commission in connection with any claim that Executive believes he may have against the Company or its Affiliates, or to cooperate or provide truthful testimony to the EEOC or a state or local human rights commission with respect to any investigation. However, by executing this Agreement, Executive hereby waives the right to recover monetary damages in any proceeding he may bring before the EEOC or any state or local human rights commission or in any proceeding brought by the EEOC or any state or local human rights commission (or any other agency) on Executive's behalf.

**13. Confidentiality of Agreement**. Executive agrees to keep this Agreement and its terms confidential. Executive agrees and understands that he is prohibited from disclosing any terms of this Agreement to anyone, except that he may disclose the terms of this Agreement to his attorney, his spouse, his financial advisor or as otherwise required by compulsion of law. The Company acknowledges and agrees that it is prohibited from disclosing any terms of this Agreement to any third parties, except that the Company may disclose the terms of this Agreement to its attorneys, accountants, and other Persons (as defined in the Employment Agreement) with a need to know, or as otherwise required by compulsion of law.

**14. Agreement to Return Company Property/Documents**. Executive acknowledges that his employment with the Company and its Affiliates has terminated effective as of the Termination Date. Accordingly, Executive agrees that, in accordance with the Company's policy: (i) Executive will not take with him, copy, alter, destroy or delete any files, documents or other materials whether or not embodying or recording any Confidential Information (as defined in the Employment Agreement), including copies, without obtaining in advance the written consent of an authorized Company representative; and (ii) Executive will promptly return to the Company all Confidential Information, documents, files, records and tapes (written or electronically stored) that are in Executive's possession or under his control, and Executive shall not use or disclose such materials in any way or in any format, including written information in any form, information stored by electronic means, and any and all copies of such materials. Executive further agrees that he will return to the Company immediately all Company property, including, without limitation, any Company-provided keys, equipment, computer and computer equipment, devices, any other Company cellular phones, Company credit cards, business cards, data, lists, information, correspondence, notes, memorandums, reports or other writings prepared by the Company or Executive on behalf of the Company or an Affiliate.

**15. Waiver**. A Party's waiver of any breach or violation of any provision of this Agreement shall not operate as, or be construed to be, a waiver of any later breach of the same or other provision by such Party.

**16.** **Miscellaneous**. The Parties understand and agree that if a violation of any term of this Agreement is asserted, the Party who asserts such violation shall have the right to seek specific performance of that term and/or any other necessary and proper relief as permitted by law or equity, including but not limited to, damages awarded by any court of competent jurisdiction, and the prevailing Party shall be entitled to recover its reasonable costs and attorneys' fees.

Nothing in this Agreement will be construed to prevent Executive from challenging the validity of this Agreement under the Age Discrimination in Employment Act or Older Workers Benefit Protection Act. Executive further understands and agrees that if he, or someone acting on his behalf, files, or causes to be filed, any such claim, charge, complaint or action against the Company, an Affiliate or any other Released Party, Executive hereby expressly fully waives and relinquishes any right to recover any damages or other relief, whatsoever, from the Company, its Affiliates and/or other Persons, including costs and attorneys' fees.

**17.** **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of the Parties, and their respective heirs, executors, beneficiaries, personal representatives, successors and permitted assigns hereunder, but otherwise this Agreement shall not be for the benefit of any third parties.

**18.** **Survival of Certain Provisions**. Wherever appropriate to the intention of the Parties, the respective rights and obligations of the Parties hereunder shall survive any termination or expiration of this Agreement

**19.** **Choice of Law**. This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of Texas without regard to principles of conflict of laws. Jurisdiction and venue of any action or proceeding relating to this Agreement, or any dispute hereunder, shall be exclusively in a federal or state court of competent jurisdiction in the Houston, Texas, metropolitan area, and the Parties hereby waive any objection to such jurisdiction or venue including, without limitation, to the effect that it is inconvenient.

**20.** **Counterparts**. The Parties agree that this Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall be deemed one and the same instrument.

*[Signature page follows.]*

***Please review this document carefully as it includes a release of claims.***

IN WITNESS WHEREOF, Executive has executed and entered into this Agreement, and the Company has caused this Agreement to be executed in its name and on its behalf by its duly authorized officer, to be effective as of the date this Agreement is executed by Executive as set forth beneath his signature below.

This document was presented to Executive on _____, 20___.

**COMPANY:**

By:

Name:

Title:

Dated this ____ day of _____ 20

**EXECUTIVE:** **WITNESS:**

By:

Witness signature

Name: Name:

Dated this ___ day of _____ 20 Dated this ___ day of _____ 20

Address for Executive:

**EXHIBIT 31.1**

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**
**PURSUANT TO**
**EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),**
**AS ADOPTED PURSUANT TO**
**SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven P. Guidry, certify that:

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

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

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

(4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2015

/s/ Steven P. Guidry
Steven P. Guidry
Chief Executive Officer

**EXHIBIT 31.2**

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**
**PURSUANT TO**
**EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),**
**AS ADOPTED PURSUANT TO**
**SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Gregory R. Hullinger, certify that:

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

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

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

(4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2015

/s/ Gregory R. Hullinger
Gregory R. Hullinger
Chief Financial Officer

**EXHIBIT 32.1**

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

In connection with the Quarterly Report of VAALCO Energy, Inc. (the "Company") on Form 10-Q for the quarterly period endedSeptember 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven P. Guidry, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

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

Dated: November 6, 2015

/s/ Steven P. Guidry
Steven P. Guidry, Chief Executive Officer

**EXHIBIT 32.2**

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

In connection with the Quarterly Report of VAALCO Energy, Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gregory R. Hullinger, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

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

Dated: November 6, 2015

/s/ Gregory R. Hullinger
Gregory R. Hullinger, Chief Financial Officer