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

FORM 8-K

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

Date of Report (Date of earliest event reported): September 25, 2018

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

Delaware
(State or other jurisdiction
of incorporation)

001-32167
(Commission
File Number)

76-0274813
(IRS Employer
Identification No.)

9800 Richmond Avenue, Suite 700
Houston, Texas
(Address of principal executive offices)

77042
(Zip Code)

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

Not Applicable
(Former Name or former address if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 1.01 Entry into a Material Definitive Agreement

On September 25, 2018, VAALCO Energy, Inc. (“VAALCO,” the “Company,” “we” or “us”), through its wholly-owned subsidiary, VAALCO Gabon S.A. (“VAALCO Gabon”), received an implementing Presidential Decree from the Republic of Gabon authorizing a Sixth Amendment (the “Sixth Amendment”) to the Exploration and Production Sharing Contract entitled Etame Marin No. G4-160, dated as of July 7, 1995, between VAALCO Gabon, Addax Petroleum Oil & Gas Gabon, Sasol Gabon S.A. and PetroEnergy Resources Corporation (collectively, the “Contractor”) and the Republic of Gabon, as amended on July 7, 2001, July 7, 2006, November 26, 2009, January 5, 2012 and April 25, 2016 (the “Production Sharing Contract”). VAALCO Gabon has a 33.575% “Participating Interest” (working interest attributable to the non-carried interest owner) in the Etame Marin block.

The Sixth Amendment extends the exploitation period for the Exclusive Exploitation Authorizations “Etame Marin n° G5-88”, “Ebouri n° G5-98” and “Avouma n° G5-95” under the Production Sharing Contract for a period of ten years from the date of entry into force, (“September 17, 2018”), of the Sixth Amendment. The extension further allows the Contractor to continue to develop the Etame field and the Etame Marin block offshore the Republic of Gabon and explore the potential for resources in the surrounding area. The Sixth Amendment also requires that, within a period of two years from September 17, 2018, the Contractor drill two development wells and two appraisal wells and that the Contractor commits an estimated sum of \$59,960,000 for the drilling of these wells. The parties further agreed in the Sixth Amendment that, for the ten year period from September 17, 2018 through September 16, 2028, the Contractor is entitled to take up to 80% of production remaining after deduction of the 13% royalty rate paid to the Republic of Gabon, to recover the balance of the Contractor’s costs in the Cost Account (“Cost Recovery”), after which ten-year period the Cost Recovery percentage shall be 70% (which was the Cost Recovery percentage under the Production Sharing Contract prior to the Sixth Amendment).

The Sixth Amendment provides for a signing bonus payment of \$65 million by the Contractor to the Republic of Gabon (the “signing bonus”). The signing bonus is comprised of (i) \$35 million gross (\$11.8 million net to VAALCO Gabon) to be paid in cash by the Contractor to the Public Treasury of the Republic of Gabon by October 2, 2018, (ii) \$25 million gross (\$8.4 million net to VAALCO Gabon) towards the reduction of the Value-Added Tax (“VAT”) owed by the Republic of Gabon to the Contractor by October 2, 2018 and (iii) \$5 million gross (\$1.7 million net to VAALCO Gabon) to be paid in cash by the Contractor to the Public Treasury of the Republic of Gabon following the end of the drilling activities for the two development wells.

Pursuant to the Sixth Amendment, the State will acquire from the Contractor with effect from June 20, 2026 an additional percentage interest in the Production Sharing Contract of two point five percent (2.5%), carried by the Contractor. Each of the companies forming part of the Contractor will transfer to the State a pro rata share of each such company’s respective participating interest, which in the case of VAALCO Gabon will be approximately 0.8%.

VAALCO Gabon has committed to an annual investment of approximately \$175,000 over and above what the Contractor has committed to under the Production Sharing Contract as part of its corporate responsibility strategy in the Republic of Gabon.

The foregoing description of the Sixth Amendment does not purport to be complete and is qualified in its entirety by reference to the Sixth Amendment, a copy of which the Company plans to file as an exhibit to its Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018.

Item 7.01 Regulation FD Disclosure

On September 25, 2018, the Company issued a press release announcing the extension of the exploitation period for the Exclusive Exploitation Authorizations “Etame Marin n° G5-88”, “Ebouri n° G5-98” and “Avouma n° G5-95” under the Production Sharing Contract, as well as the planned drilling in 2019 of the two development wells and the two appraisal wells. A copy of the Company’s press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

The information set forth in the attached Exhibit 99.1 shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
<u>99.1</u>	Press release dated September 25, 2018

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

VAALCO Energy, Inc.
(Registrant)

Date: September 25, 2018

By: /s/ Elizabeth D. Prochnow
Name: Elizabeth D. Prochnow
Title: Controller and Chief Accounting Officer



**VAALCO ENERGY, INC. ANNOUNCES 10-YEAR EXTENSION OF ETAME EXCLUSIVE
EXPLOITATION AREAS THROUGH 2028**

PROGRESSING FORWARD 2019 DEVELOPMENT DRILLING PROGRAM

HOUSTON – September 25, 2018 – VAALCO Energy, Inc. (NYSE: EGY) through its wholly owned subsidiary, VAALCO Gabon S.A. (“VAALCO” or “the Company”) and the other Etame Participating Interest owners today announced the receipt of the Presidential Decree approving the successful execution of an Amendment to the Etame Marin Production Sharing Contract (“PSC”) in Gabon between the Government of Gabon and the Etame Participating Interest owners. The Amendment provides for a 10-year extension of the three Exclusive Exploitation Areas under the PSC (“the Extension”). VAALCO is the Operator with a 33.575% Participating Interest under the terms of the applicable Joint Operating Agreement. The remaining owners of Participating Interests under the Joint Operating Agreement are Addax Petroleum Etame, Inc. (33.900%), Sasol Gabon S.A. (30.000%), and PetroEnergy Resources Corp. (2.525%). VAALCO and the other Participating Interest Owners are referred to as the “Contractor Parties”.

Key Highlights of the Extension:

- **Extends each of the existing three Exclusive Exploitation Authorizations under the Etame PSC for 10 years from the date of the signing of the Amendment, with two additional five-year option periods;**
- **Provides the opportunity to make future investments that will yield benefit to both the Contractor Parties and the government of Gabon through further development of the resource potential within the Exploitation Areas;**
- **Commits the Contractor Parties to complete, within two years of the Amendment coming into force, a drilling program to drill two development wells and two appraisal wells, as well as undertake technical studies;**
- **In addition, VAALCO has agreed individually to provide an increased commitment to corporate social responsibility projects in Gabon.**

Cary Bounds, Chief Executive Officer, commented, “VAALCO, together with the other Contractor Parties, are very excited to announce this extension of our Exclusive Exploitation Authorizations in the Etame Marin Permit. The Extension will further strengthen our strategic partnership with the Government of Gabon and ensures the long-term viability of our premier Etame asset, which has produced more than 100 million barrels of oil since inception. This extension stabilizes VAALCO’s outlook for the future,

removes uncertainty, and allows us to focus on generating further value and extracting additional reserves from the Etame block. We are now ready to move forward with our 2019 development and appraisal drilling program. We will provide additional details once the locations and timing are finalized. As we look to the future, we remain focused on creating substantial value for our shareholders by operating safely and efficiently, and continuing to execute on our growth strategy. The remaining opportunities in Etame are significant and we are well positioned to strengthen our financial and operational positions. We are also very pleased to continue our long-term relationship with the Government of Gabon and look forward to many more years of successful operations in the country.”

Representatives of Sasol Gabon, Addax and PetroEnergy have also executed the Amendment. The Contractor Parties have also agreed to their respective Participating Interest share of the work commitment and other obligations, including the drilling commitments, under the terms of the Extension. The Contractor Parties are optimistic that these wells will be part of a broader, long-term program to develop the economically recoverable portion of the hydrocarbon resources remaining in the field which will jointly benefit VAALCO, the other Contractor Parties and the Republic of Gabon.

Forward Looking Statements

This document includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, included in this document that address activities, events, plans, expectations, objectives or developments that VAALCO expects, believes or anticipates will or may occur in the future are forward-looking statements. These statements may include amounts due in connection with the Company's withdrawal from Angola, expected sources of future capital funding and future liquidity, future operating losses, future changes in oil and natural gas prices, future strategic alternatives, capital expenditures, future drilling plans, prospect evaluations, negotiations with governments and third parties including with the government of the Republic of Gabon in connection with a revised production sharing contract, expectations regarding processing facilities, production and sales projections, reserve growth, and other issues related to our exit from Angola. These statements are based on assumptions made by VAALCO based on its experience and perception of historical trends, current conditions, expected future developments and other factors it believes are appropriate in the circumstances. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond VAALCO's control. These risks include, but are not limited to, oil and gas price volatility, inflation, general economic conditions, the Company's success in discovering, developing and producing reserves, production and sales differences due to timing of liftings, decisions by future lenders, the risks associated with liquidity, the risk that our negotiations with the governments of the Republic of Gabon and the Republic of Angola will be unsuccessful, lack of availability of goods, services and capital, environmental risks, drilling risks, foreign regulatory and operational risks, and regulatory changes.

These and other risks are further described in VAALCO's annual report on Form 10-K for the year ended December 31, 2017 and quarterly report on Form 10-Q for the quarter ended June 30, 2018, which will be filed shortly, and other reports filed with the SEC which can be reviewed at <http://www.sec.gov>, or which can be received by contacting VAALCO at 9800 Richmond Avenue, Suite 700, Houston, Texas 77042, (713) 623-0801. Investors are cautioned that forward-looking statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements. VAALCO disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

About VAALCO

VAALCO Energy, Inc. is a Houston, Texas based independent energy company principally engaged in the acquisition, exploration, development and production of crude oil. VAALCO's strategy is to increase reserves and production through the development and exploitation of international oil and natural gas properties. The Company's properties and exploration acreage are located primarily in Gabon and Equatorial Guinea in West Africa.

Investor Contact

Phil Patman, Jr. 713-623-0801