

**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 reported): August 25, 2021

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))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.10	EGY	New York Stock Exchange
Common Stock, par value \$0.10	EGY	London Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company 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-2 of 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.

Binding Letter of Intent

On August 25, 2021, VAALCO Gabon, SA (“**VAALCO Gabon**”), a wholly owned subsidiary of VAALCO Energy, Inc. (the “**Company**”), entered into a binding letter of intent (“**LOI**”) with World Carrier Offshore Services Corp. (“**World Carrier**”), to provide and operate a Floating Storage and Offloading (“**FSO**”) unit at the Company’s Etame Marin field offshore Gabon upon the expiration of the Company’s current Floating Production, Storage and Offloading contract with BW Offshore in September 2022. The obligations under the LOI are conditioned upon the receipt of written approval to the entry into the Bareboat Charter and Operating Agreement (described below) by the Company’s co-venturers (the Company, collectively with the co-venturers, the “**Etame Parties**”, and such condition of approval by the Etame Parties, the “**Escrow Condition**”).

The LOI provides that it is binding and irrevocable and that neither party can terminate or rescind the LOI after it has been executed and delivered. Pursuant to the LOI, VAALCO Gabon must use reasonable endeavors to ensure that the Escrow Condition is fulfilled as soon as reasonably practicable and in any event before 5.00 p.m. (London time) on September 7, 2021 (or such later date as the parties may agree in writing) (the “**Termination Date**”). Upon satisfaction of the Escrow Condition, each of the Bareboat Charter and Operating Agreement (described below) will immediately come into full force and effect (the “**Effective Date**”). If the Escrow Condition is not satisfied by the Termination Date, the LOI will terminate and all obligations under the Bareboat Charter and Operating agreement will not come into force or take effect. The LOI also contains, among other things, customary provisions related to confidentiality, anti-corruption and conflicts of interest.

Bareboat Charter and Operating Agreement

Pursuant to the Bareboat Charter (the “**Bareboat Charter**”), World Carrier will provide use of the *Cap Diamant* vessel to VAALCO Gabon for an eight-year period (the “**Term**”), subject to optional two successive one-year extensions. Pursuant to the Bareboat Charter, World Carrier agreed to perform all engineering and design, procurement, construction, installation, refurbishment, adaptation, commissioning, testing and other work in relation to the preparation of the vessel to be used as a FSO, which such preparation to be complete between August 15, 2022 and September 1, 2022, subject to certain extensions if specified conditions are met. In advance of the Start Date (as defined in the Bareboat Charter), VAALCO Gabon and the Etame Parties must pay World Carrier (i) a prepayment of \$6.0 million, to be paid in thirds upon the completion of certain milestones, which may be recovered against future rentals, and (ii) a \$1.0 million mobilization fee. In addition, VAALCO Gabon agreed to pay a daily hire rate at certain rates specified therein, with such hire rate being based on the year within the Term. The aggregate amount to be paid to World Carrier under the Bareboat Charter during the Term is approximately \$96 million gross (or \$61 million net to VAALCO based on its interest participating in the Etame block), net of any applicable taxes.

In addition, the Bareboat Charter provides VAALCO Gabon with the option, upon the delivery of notice not less than 30 days prior to the anticipated purchase date, to purchase the *Cap Diamant* at any time during the Term at purchase prices specified therein (ranging from \$20 million to \$74 million depending on the timing of the purchase date in relation to the Start Date).

The Bareboat Charter may be terminated either (i) at the convenience of VAALCO Gabon by providing World Carrier with 30 days' written notice, or (ii) in the event of default by either party in accordance with its terms. The Bareboat Charter also contains, among other things, customary provisions related to confidentiality, representations and warranties, indemnification, insurance and limitations on liability.

Pursuant to the Operating Agreement (the “*Operating Agreement*”, and together with the LOI and Bareboat Charter, the “*FSO Agreements*”), VAALCO Gabon agreed to engage World Carrier for the purposes of maintaining and operating the FSO on its behalf in accordance with the specifications therein and to provide other services to VAALCO Gabon in connection with the operation and maintenance of the FSO (collectively, the “*Operator Services*”). As consideration for the performance by World Carrier of the Operator Services, VAALCO Gabon agreed to pay a daily operating fee (to be paid monthly) beginning on the date of issuance of the Fit to Receive Certificate (as defined in the Operating Agreement) until the end of the term, with such term being the same as the Term in the Bareboat Charter. The aggregate amount to be paid to World Carrier under the Operating Agreement during the Term is approximately \$35 million gross (or \$22 million net to VAALCO based on its participating interest in the Etame block), net of any applicable taxes.

The Operating Agreement may be terminated either (i) at the convenience of VAALCO Gabon by providing World Carrier with 30 days' written notice, or (ii) in the event of default by either party in accordance with its terms. The termination of the Bareboat Charter will automatically trigger termination of the Operating Agreement. The Operating Agreement also contains, among other things, customary provisions related to confidentiality, representations and warranties, indemnification, insurance and limitations on liability.

As a condition for World Carrier's obligation to provide services under each of the Bareboat Charter and the Operating Agreement, the Company is required to execute a guarantee in favor of VAALCO Gabon in an amount equal to the portion of VAALCO Gabon's obligations under each of the Bareboat Charter and the Operating Agreement based on the Company's participating interest in the Etame Field of 63.575%.

Item 7.01 Regulation FD Disclosure.

On August 25, 2021, the Company issued a press release announcing the entry into the FSO Agreements. A copy of the press release is furnished as Exhibit 99.1 to this Current Report.

The information in this Current Report (including Exhibit 99.1 attached hereto) is being furnished pursuant to Item 7.01 and shall not be deemed to be “filed” for purposes of Section 18 of the Exchange Act, as amended (the “*Exchange Act*”), or otherwise be subject to the liabilities of that section, nor shall it be deemed to be incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof and regardless of any general incorporation language in such filing.

(d) Exhibits

Exhibit No.	Description of Exhibit
<u>99.1</u>	Press Release, dated August 25, 2021, issued by VAALCO Energy, Inc. (furnished herewith pursuant to Item 7.01).

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: August 26, 2021

By: /s/ Jason Doornik
Name: Jason Doornik
Title: Chief Accounting Officer and Controller



VAALCO ANNOUNCES BINDING LETTER OF INTENT FOR FSO AT ETAME

HOUSTON – August 25, 2021 – VAALCO Energy, Inc. (NYSE: EGY; LSE: EGY) (“VAALCO” or the “Company”) today announced that its affiliate VAALCO Gabon, SA (“VAALCO Gabon”) has signed a binding letter of intent (“LOI”) with World Carrier Offshore Services Corp. (“World Carrier”) to provide and operate a Floating Storage and Offloading (“FSO”) unit at VAALCO’s Etame Marin field offshore Gabon for up to eight years with additional option periods available upon the expiration of the current Floating Production, Storage and Offloading (“FPSO”) contract in September 2022. The non-binding LOI with Omni Offshore Terminals Pte Ltd, which VAALCO announced in April of this year, expired without any mutually agreeable contract being reached.

Key Highlights

- Signed a binding LOI with World Carrier to enter into a Bareboat Contract and Operating Agreement to provide and operate the *Cap Diamant*, a double-hull crude tanker built in 2001, as an FSO;
 - The Bareboat Contract and Operating Agreement will become effective upon approval from the Etame joint owners which is expected by early September 2021;
 - Compared to the current FPSO solution:
 - Reduces storage and offloading costs almost 50%;
 - Lowers total operating costs at Etame by approximately 17% to 20% through 2030;
 - Increases effective capacity for storage by over 50%, allowing for greater operational and lifting flexibility and a material reduction in per barrel lifting costs;
 - Expected to lead to an extension of the economic field life, resulting in a corresponding increase in recovery and reserves at Etame;
 - Requires a prepayment of \$2 million gross (\$1.3 million net) in 2021 and \$5 million gross (\$3.2 million net) in 2022 of which \$6 million will be recovered against future rentals; and
-

Forecasting capital costs including field reconfiguration and the 2021/2022 drilling program to be funded with cash from operations and cash on hand.

George Maxwell, VAALCO's Chief Executive Officer, commented, "We are very pleased to finalize an agreement with World Carrier that will allow us to sustain our operational excellence and robust financial performance at Etame through 2030. Additionally, this new solution costs almost 50% less than the current FPSO solution and will reduce our overall costs by approximately 17% to 20%. Current total field level capital conversion estimates are \$40 to \$50 million gross (\$26 to \$32 million net to VAALCO) spread across 2021 and 2022. This capital investment is projected to save approximately \$20 to \$25 million gross per year (\$13 to \$16 million net to VAALCO) in operational costs through 2030, giving the project a very attractive payback period of only two to two and a half years.

It is clear this is a very economical solution for VAALCO and should help us to enhance the profitability of our flagship asset at Etame and materially increase stakeholder returns. We expect to have the FSO in place and operating in September 2022 prior to when our current FPSO contract expires. We will continue to maximize the value opportunities for our shareholders and look forward to beginning our next drilling campaign at Etame later this year."

Further Details

VAALCO has studied several alternatives regarding the expiration of the contract on its current FPSO in September 2022. The proposed development approach utilizing an FSO with all processing on existing platforms aligns with VAALCO's ongoing strategy to reduce operating costs and extend field life. This is particularly attractive due to the potential for meaningful ongoing operating cost reductions over its term compared with the current FPSO arrangement and other options analyzed, as well as removing both the risk of life extension costs on the existing vessel.

Once the field is reconfigured, the agreement with World Carrier to convert and operate the Cap Diamant is expected to lead to annual operating expense savings of around \$20 to \$25 million gross (\$13 to \$16 million net to VAALCO) over the life of the new agreement, resulting in a fast payback of its invested capital and enhanced margins going forward. These savings are achieved due to a more simplified processing system that avoids duplication of processing on the platforms and again on the FSO. This change is expected to reduce or eliminate the need for ongoing life extension costs, in addition to a significant reduction in planned/unplanned downtime. Additionally, VAALCO continues to believe that the capital costs for the field reconfiguration and the upcoming planned 2021/2022 drilling campaign can be funded with cash from operations and cash on hand.

About VAALCO

VAALCO, founded in 1985, is a Houston, USA based, independent energy company with production, development and exploration assets in the West African region.

The Company is an established operator within the region, holding a 63.6% participating interest in the Etame Marin block, located offshore Gabon, which to date has produced over 120 million barrels of crude oil and of which the Company is the operator.

For Further Information

VAALCO Energy, Inc. (General and Investor Enquiries)	+00 1 713 623 0801
Website:	www.vaalco.com
 Al Petrie Advisors (US Investor Relations)	 +00 1 713 543 3422
Al Petrie / Chris Delange	
 Buchanan (UK Financial PR)	 +44 (0) 207 466 5000
Ben Romney / Jon Krinks/ James Husband	VAALCO@buchanan.uk.com

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 statements related to the impact of the COVID-19 pandemic, including the recent sharp decline in the global demand for and resulting global oversupply of crude oil and the resulting steep decline in oil prices, production quotas imposed by Gabon, disruptions in global supply chains, quarantines of our workforce or workforce reductions and other matters related to the pandemic, well results, wells anticipated to be drilled and placed on production, future levels of drilling and operational activity and associated expectations, the implementation of the Company’s business plans and strategy, prospect evaluations, prospective resources and reserve growth, its activities in Equatorial Guinea, expected sources of and potential difficulties in obtaining future capital funding and future liquidity, its ability to restore production in non-producing wells, our ability to find a replacement for the FPSO or to renew the FPSO charter, future operating losses, future changes in crude oil and natural

gas prices, future strategic alternatives, future and pending acquisitions, capital expenditures, future drilling plans, acquisition and interpretation of seismic data and costs thereof, negotiations with governments and third parties, timing of the settlement of Gabon income taxes, and expectations regarding processing facilities, production, sales and financial projections. 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, crude oil and natural gas price volatility, the impact of production quotas imposed by Gabon in response to production cuts agreed to as a member of OPEC, inflation, general economic conditions, the outbreak of COVID-19, 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, lack of availability of goods, services and capital, environmental risks, drilling risks, foreign regulatory and operational risks, and regulatory changes.

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.

Inside Information

This announcement contains inside information as defined in Regulation (EU) No. 596/2014 on market abuse ("MAR") and is made in accordance with the Company's obligations under article 17 of MAR.
