

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-8
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

VAALCO ENERGY, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

76-0274813
(I.R.S. Employer
Identification Number)

4600 Post Oak Place, Suite 309, Houston, Texas 77027
(Address of Principal Executive Offices)

VAALCO ENERGY, INC.
WILLIAM E. PRITCHARD III EMPLOYMENT AGREEMENT
(Full Title of Plan)

W. Russell Scheirman
4600 Post Oak Place, Suite 309
Houston, Texas 77027
(Name and address of Agent for Service)

(713) 623-0801
(Telephone Number, Including Area Code, of Agent for Service)

Copy to:
HAYNES AND BOONE, LLP
1000 Louisiana, Suite 4300
Houston, Texas 77002
Attn: George G. Young III
(713) 547-2081

CALCULATION OF REGISTRATION FEE

<TABLE>
<CAPTION>

Title of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Common Stock, par value \$0.10 per share (1)	900,000	\$7.50 (2)	\$3,825,000 (2)	\$351.90
=====	=====	=====	=====	=====

(1) In addition pursuant to Rule 416(c) under the Securities Act of 1933, this Registration Statement also covers an indeterminate amount of interests to be offered or sold pursuant to the employee benefit plan described herein.

(2) Pursuant to Rule 457(h) of the Securities Act of 1933, the offering price and registration fee is computed upon the basis of the price at which the warrants may be exercised. The warrants may be exercised at the following prices: 150,000 shares at \$.50; 250,000 shares at \$2.50; 250,000 shares at \$5.00; and 250,000 shares at \$7.50

PART I

INFORMATION REQUIRED IN THE SECTION 10(a) PROSPECTUS

ITEM 1. PLAN INFORMATION.*

ITEM 2. REGISTRANT INFORMATION AND EMPLOYEE PLAN ANNUAL INFORMATION.*

*Information specified in Part I of Form S-8 (Items 1 and 2) will be sent or given to our employees and officers participating in the William E. Pritchard III Employment Agreement (the "Plan") as specified by Rule 428(b)(1) under the Securities Act of 1933.

PART II

INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

ITEM 3. INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents filed by us with the Securities and Exchange Commission pursuant to Section 13 of the Securities Exchange Act of 1934, are incorporated herein by reference:

- . Annual Report on Form 10-KSB for the fiscal year ended December 31, 2001.
- . Quarterly Report on Form 10-QSB for the quarters ended March 30, 2002, June 30, 2002, and September 30, 2002.
- . Current Report on Form 8-K filed on August 19, 2002.
- . The description of our common stock contained in our Registration Statement on Form 10 (Registration No. 0-20928), as amended by Form 8 filed by us filed with the Commission on January 25, 1993, including any future amendment or report filed for the purpose of updating such description.

All documents subsequently filed by us pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Securities Exchange Act of 1934, prior to the filing of a post-effective amendment which indicates that all securities offered under the Plan have been sold or which deregisters all securities then remaining unsold, shall be deemed to be incorporated by reference herein and to be part hereof from the date of the filing of such documents.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes hereof to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part hereof.

ITEM 4. DESCRIPTION OF SECURITIES.

Not applicable.

ITEM 5. INTERESTS OF NAMED PERSONS AND COUNSEL.

Not applicable.

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ITEM 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

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

ITEM 7. EXEMPTION FROM REGISTRATION CLAIMED.

Not Applicable.

ITEM 8. EXHIBITS.

<TABLE>

<CAPTION>

EXHIBIT NUMBER	DESCRIPTION	INCORPORATED BY REFERENCE FROM	FILED HEREWITH
<S>	<C>	<C>	<C>
4.1	Restated Certificate of Incorporation of the Company	Incorporated by reference from exhibit 4.1 of the Company's Registration Statement on Form S-3, Reg. No. 333-59095 filed on July 15, 1998	
4.2	Certificate of Amendment to Restated Certificate of Incorporation of the Company	Incorporated by reference from exhibit 4.2 of the Company's Registration Statement on Form S-3, Reg. No. 333-59095 filed on July 15, 1998	
4.3	Bylaws of the Company	Incorporated by reference from exhibit 4.3 of the Company's Registration Statement on Form S-3, Reg. No. 333-59095 filed on July 15, 1998	
4.4	Amendment to Bylaws of the the Company	Incorporated by reference from exhibit 4.4 of the Company's Registration Statement on Form S-3, Reg. No. 333-59095 filed on July 15, 1998	
4.5	Designation of Convertible Series A Preferred Stock of the Company	Incorporated by reference from exhibit 4.1 of the Company's Report on Form 8-K filed on March 4, 1998	
4.6	Specimen Stock Certificate of the Company's Common Stock	Incorporated by reference from exhibit 4.5 of the Company's Registration Statement on Form S-8, Reg. No. 333-67858, filed on August 17, 2001	
5.1	Opinion of Haynes and Boone, LLP		X
15.1	Letter re unaudited interim financial information*		

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<S>	<C>	<C>	<C>
23.1	Consent of Deloitte & Touche LLP		X
23.2	Consent of Haynes and Boone, LLP		Included as part of Exhibit 5.1
24	Power of attorney		Signature Page to this Registration Statement
99.1	Employment Agreement by and between the Company and William E. Pritchard, III dated September 1, 1996	Incorporated by reference from exhibit 10.30 of the Company's Registration Statement on Form 10-KSB for the year ended December 31, 1996	
99.2	Warrant granted to William E. Pritchard, III dated		X

September 1, 1996

99.3	Warrant granted to William E. Pritchard, III dated September 1, 1996	X
99.4	Warrant granted to William E. Pritchard, III dated September 1, 1996	X
99.5	Warrant granted to William E. Pritchard, III dated September 1, 1996	X
99.6	Letter Agreement by and between the Company and William E. Pritchard, III dated July 30, 1998	X

</TABLE>

*Not applicable

ITEM 9. UNDERTAKINGS.

(a) We hereby undertake:

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

- (i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;
- (ii) To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration

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Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of a prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective Registration Statement;

- (iii) To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement;

provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the registration statement is on Form S-3, Form S-8 or Form F-3 and the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by us pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the Registration Statement.

- (2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

- (3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

- (b) We hereby undertake that, for purposes of determining any liability under the Securities Act of 1933, each filing of our annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefits plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is

incorporated by reference in the Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all the requirements for filing on Form S-8 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Houston, State of Texas, on January 22, 2003.

VAALCO ENERGY, INC.

By: /s/ Robert L. Gerry, III

Robert L. Gerry, III
Chairman of the Board and Chief
Executive Officer

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POWER OF ATTORNEY

Each of the undersigned hereby appoints Robert L. Gerry, III and W. Russell Scheirman, and each of them, as attorney and agent for the undersigned, with full power of substitution, for and in the name, place and stead of the undersigned, to sign and file with the Securities and Exchange Commission under the Securities Act of 1933 any and all amendments and exhibits to this Registration Statement and any and all applications, instruments and other documents to be filed with the Securities and Exchange Commission pertaining to the registration of the securities covered hereby, with full power and authority to do and perform any and all acts and things whatsoever requisite or desirable.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities indicated on January 22, 2003.

<TABLE> <CAPTION> Signature -----	Title -----
<S> /s/ Robert L. Gerry, III ----- Robert L. Gerry, III	<C> Chairman of the Board and Chief Executive Officer (principal executive officer)
/s/ W. Russell Scheirman ----- W. Russell Scheirman	President, Chief Financial Officer and Director (principal accounting and financial officer)
/s/ Virgil A. Walston, Jr. ----- Virgil A. Walston, Jr.	Vice Chairman of the Board and Chief Operating Officer

/s/ Walter W. Grist ----- Walter W. Grist	Director
/s/ T. Michael Long ----- T. Michael Long	Director
/s/ Arne R. Nielsen ----- Arne R. Nielsen	Director
/s/ Lawrence C. Tucker ----- Lawrence C. Tucker	Director

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EXHIBIT INDEX

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		Touche LLP	
of	23.2	Consent of Haynes and	Included as part
		Boone, LLP	Exhibit 5.1
this	24	Power of attorney	Signature Page to
Statement			Registration
	99.1	Employment Agreement by and between the Company and William E. Pritchard, III dated September 1, 1996	Incorporated by reference from exhibit 10.30 of the Company's Registration Statement on Form 10-KSB for the year ended December 31, 1996
	99.2	Warrant granted to William E. Pritchard, III dated September 1, 1996	X
	99.3	Warrant granted to William E. Pritchard, III dated September 1, 1996	X
	99.4	Warrant granted to William E. Pritchard, III dated September 1, 1996	X
	99.5	Warrant granted to William E. Pritchard, III dated September 1, 1996	X
	99.6	Letter Agreement by and between the Company and William E. Pritchard, III dated July 30, 1998	X

</TABLE>

*Not applicable

Exhibit 5.1

HAYNES AND BOONE, LLP
1000 Louisiana Street, Suite 4300
Houston, Texas 77002
(713) 547-2000

January 22, 2003

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

Gentlemen:

We have acted as counsel to VAALCO Energy, Inc., a Delaware corporation (the "Company"), in connection with the preparation of the Registration Statement on Form S-8 (the "Registration Statement") which relates to 900,000 shares of the Company's Common Stock, par value \$0.10 per share (the "Common Stock") subject to issuance on the exercise of options granted, or to be granted, under the William E. Pritchard III Employment Agreement (the "Plan").

In connection therewith, we have examined (i) the Certificate of Incorporation and the Bylaws of the Company, each as amended; (ii) the Plan; and (iii) such other documents, corporate records, certificates and other instruments as we have deemed necessary for the expression of the opinions contained herein.

In making the foregoing examination, we have assumed the genuineness of all signatures and the authenticity of all documents submitted to us as originals, and the conformity to original documents of all documents submitted to us as certified or photostatic copies. Furthermore, we have assumed that prices paid for shares of Common Stock will equal or exceed the par value per share of the Common Stock. As to questions of fact material to this opinion, where such facts have not been independently established, and as to the content and form of the Certificate of Incorporation (as amended), Bylaws (as amended), Plan, minutes, records, resolutions and other documents or writings of the Company, we have relied, to the extent we deem reasonably appropriate, upon representations or certificates of officers or directors of the Company and upon documents, records and instruments furnished to us by the Company, without independent check or verification of their accuracy.

Based upon the foregoing, and having due regard for such legal considerations as we deem relevant, we are of the opinion that the 900,000 shares of Common Stock covered by the Registration Statement, which may be issued from time to time pursuant to the purchase of shares of Common Stock in accordance with the terms of the Plan, have been duly authorized for issuance by the Company, and, when so issued in accordance with the respective terms and conditions of the Plans, will be validly issued, fully paid and nonassessable.

We hereby consent to the filing of this opinion with the Commission as an exhibit to the Registration Statement.

Very truly yours,

/s/ HAYNES AND BOONE, LLP

Haynes and Boone, LLP

Exhibit 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this Registration Statement of VAALCO Energy, Inc. on Form S-8 of our report dated March 29, 2002, appearing in the Annual Report on Form 10-KSB of VAALCO Energy, Inc. for the year ended December 31, 2001.

/s/ Deloitte & Touche LLP

Houston, Texas
January 20, 2003

No. W-003 For the Purchase of 250,000 Shares

This Warrant has not been registered under the Securities Act of 1933 or the laws of any state and may not be transferred in the absence of (a) an effective registration statement for this Warrant under the Securities Act of 1933 and applicable state laws or (b) an opinion of counsel satisfactory to the Company that such registration is not required. This Warrant is subject to other limitations on transfer.

FORM OF STOCK PURCHASE WARRANT TO PURCHASE
SHARES OF COMMON STOCK OF VAALCO ENERGY, INC.

This certifies that for value received, William E. Pritchard, III, or registered assigns (the "Holder"), is entitled, subject to the terms and conditions of this Warrant, at anytime or from time to time during the Exercise Period (as hereinafter defined), to purchase up to 250,000 shares of common stock, \$0.10 par value ("Common Stock"), of VAALCO Energy, Inc. a Delaware corporation (the "Company") (the shares of Common Stock issuable upon exercise of this Warrant being referred to herein as the "Warrant Shares"). This Warrant is issued in conjunction with the Employment Agreement, dated effective September 1, 1996, between the Holder and the Company.

1. Form of Election.

The form of election to purchase shares of Common Stock (the "Form of Election") shall be substantially as set forth in Exhibit A attached hereto. The price per Warrant Share and the number of Warrant Shares issuable upon exercise of this Warrant are subject to adjustment upon the occurrence of certain events, all as hereinafter provided.

2. Exercise Period; Exercise of Warrant.

2.1 Exercise Period. Subject to the terms of this Warrant, the Holder shall have the right, which may be exercised at any time or from time to time during the Exercise Period, to purchase from the Company the number of fully paid and nonassessable Warrant Shares this Warrant at the time represents the right to purchase, and, in the event that this Warrant is exercised in respect of fewer than all of the Warrant Shares purchasable on such exercise, a new warrant evidencing the remaining Warrant Shares that may be purchased shall be signed, issued and delivered by the Company to the Holder pursuant to the provisions of this Section 2. The term "Exercise Period" shall mean the period commencing on the effective date hereof and terminating at 5:00 p.m., Houston, Texas time, on September 1, 2001.

2.2 Exercise of Warrant. This Warrant may be exercised upon surrender to the Company at its principal office of this Warrant, together with Form of Election duly completed and signed, and upon payment to the Company of the Warrant Price (as defined in and determined in accordance with the provisions of Sections 3 and 9 hereof) for the number of Warrant Shares in respect of which this Warrant is then exercised. Payment of the aggregate Warrant Price with respect to the portion of this Warrant being exercised shall be made in cash, or by certified or official bank check, payable to the order of the Company.

Subject to Section 6 hereof, upon the surrender of this Warrant and payment of the Warrant Price as set forth above, the Company shall issue and cause to be delivered to the Holder or, upon the written order of the Holder and subject to

Section 5 hereof, to and in such name or names as the Holder may designate, a certificate or certificates for the number of full Warrant Shares so purchased upon the exercise of this Warrant together with cash in respect of any fractional Warrant Share otherwise issuable upon such surrender as provided in Section 10 hereof. Such certificate or certificates shall be deemed to have been issued and any person so designated to be named therein shall be deemed to have become a holder of record of such Warrant Shares as of the date of the surrender of this Warrant and payment of the Warrant Price, as aforesaid.

3. Warrant Price.

The price per share at which Warrant Shares shall be purchasable upon exercise of this Warrant initially shall be \$0.50 and shall be subject to adjustment pursuant to Section 9 hereof (such price as so adjusted is referred to herein as the "Warrant Price").

4. Exchange of Warrant.

In connection with a permitted transfer in accordance with Section 5 hereof, this Warrant may be exchanged at the option of the Holder thereof when surrendered at the principal office of the Company for another warrant, or other warrants of different denominations, of like tenor and representing in the aggregate the right to purchase a like number of Warrant Shares as this Warrant then entitles such Holder to purchase. Any Holder desiring to exchange this Warrant shall make such request in writing delivered to the Company, and shall surrender this Warrant. Thereupon the Company shall sign and deliver to the person entitled thereto a new warrant or warrants, as the case may be, as so requested.

5. No Registration of Warrant; Restriction on Transfer.

This Warrant may not be transferred to any person other than a person who controls or is controlled by or is under common control with the Holder, unless the Company consents in writing to such transfer, and any such transfer shall be subject to all restrictions contained in this Section 5. "Control" and any such transfer means the power to direct or cause the direction of the management and policies of such person whether by voting control, contract or otherwise. Prior to any such permitted transfer, the Holder will cause the transferee to execute and deliver to the Company an instrument, in form and substance satisfactory to the Company, binding such transferee to the terms and conditions of this Warrant.

This Warrant and the Warrant Shares have not been registered under the Securities Act of 1933, as amended (the "Act"), or any applicable state securities laws. The Holder, by acceptance hereof, agrees that this Warrant has been, and upon exercise hereof any Warrant Shares will be, acquired for investment and not with a view to distribution or resale and, in addition to other restrictions on transfer contained herein, may not be transferred without an effective registration statement for this Warrant or the Warrant Shares under the Act and applicable state securities laws or an opinion of counsel satisfactory to the Company that registration is not required thereunder. Unless registered, any Warrant Shares shall bear the following legend:

The securities represented by this certificate have not been registered under the Securities Act of 1933 or the laws of any state and may not be

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transferred in the absence of (a) an effective registration statement for the securities under the Securities Act of 1933 and applicable state laws or (b) an opinion of counsel satisfactory to the Company that such registration is not required. The securities represented by this certificate are also subject to certain other restrictions on transfer pursuant to the terms of that certain Stock Purchase Warrant to Purchase Shares of Common Stock of VAALCO Energy, Inc. (No. W-003), dated effective September 1, 1996. Copies of such agreement may be obtained upon written request to the Secretary of the Company.

The Holder has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the investment involved in the purchase of the Warrant. The Holder has been advised by the Company (i) of the applicable limitations upon the resale of the Warrant and the Warrant Shares, including the restrictions on transfer contained in this Section 5, (ii) that the Warrant is not and the Warrant Shares are not registered under the Act and must be held indefinitely unless the Warrant or the Warrant Shares, as the case may be, are subsequently registered under the Act or an exemption from registration is available, (iii) that any routine sale of the Warrant or the Warrant Shares made in reliance upon Rule 144 as promulgated under the Act ("Rule 144") can be made only after the Warrant or the Warrant Shares, as the case may be, have been held at least two years and only in limited amounts in accordance with the terms and conditions of Rule 144 and at times when Rule 144 is available, and (iv) that the availability of Rule 144 for

sales of the Warrant or the Warrant Shares is dependent, among other factors, on matters not within the control of the Holder. The Holder represents that it is fully familiar with the circumstances under which it is required to hold the Warrant and the Warrants Shares and the limitations upon the transfer or the disposition thereof. The Holder acknowledges that the Company is relying upon the truth and accuracy of the foregoing representations and warranties in issuing the Warrant to the Holder.

The Holder understands that the transfer agent for the Common Stock will be instructed to place a stop transfer notation in the stock records in respect of any certificates issued by the Company representing the Warrant Shares, and the Holder consents and agrees to the placing of such stop transfer order.

The Holder represents that it is familiar with the business and financial condition of the Company and acknowledges that it has been afforded the opportunity to obtain any additional information, including the opportunity to ask questions of and receive answers, from officers and representatives of the Company. The Holder acknowledges that it has requested and received all information regarding the Company that the Holder deems relevant to its investigation of the Company, including but not limited to certain reports filed by the Company with the Securities and Exchange Commission, and has made such inspections of the Company and its facilities and records, and has consulted with the Company's officers, employees, attorneys and agents for the purpose of determining the accuracy of the representations and warranties and the compliance with the covenants made herein by the Company to the extent it deems appropriate.

The Company shall not be required to register this Warrant or the Warrant Shares under the Act or under any state laws.

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6. Payment of Taxes.

The Company will pay when due and payable any and all U.S. federal and state transfer taxes and charges that may be payable in respect of the issuance or delivery to the Holder of this Warrant or of any Warrant Shares upon the exercise of this Warrant. The Company shall not, however, be required to pay any transfer tax that may be payable in respect of any transfer involved in the transfer or delivery of this Warrant or the issuance or delivery of certificates for Warrant Shares in the name other than that of the Holder or to issue or deliver any certificates for Warrant Shares upon the exercise of this Warrant until such tax shall have been paid (any such tax being payable by the Holder at the time of surrender) or until it has been established to the Company's satisfaction that no such tax is due.

7. Mutilated or Missing Warrant

In case this Warrant shall be mutilated, lost, stolen or destroyed, the Company may, in its discretion, execute, issue and deliver in exchange and substitution for and upon cancellation of the mutilated Warrant, or in lieu of and substitution for the Warrant lost, stolen or destroyed, a new warrant of like tenor and representing an equivalent right or interest; but only upon receipt of evidence satisfactory to the Company of such loss, theft or destruction of this Warrant and indemnity, if requested, satisfactory to the Company. The Holder requesting such a substitute warrant shall also comply with such other reasonable regulations and pay such other reasonable charges as the Company may prescribe.

8. Reservation of Warrant Shares; Purchase of Warrant by the Company.

8.1 Reservation of Warrant Shares. The Company shall at all times reserve for issuance from its authorized and unissued shares of Common Stock (i) the number of shares of Common Stock needed for issuance upon the exercise of this Warrant plus (ii) the number of shares of Common Stock required to be reserved for all other purposes. The Company covenants that all shares of Common Stock issuable as herein provided shall, when so issued, be duly and validly issued, fully paid and nonassessable, and free from all taxes, liens and charges with respect thereto.

8.2 Purchase of Warrant by the Company. The Company shall not

be prohibited, except as limited by law or any other agreement, from offering to purchase, purchasing or otherwise acquiring this Warrant from any holder thereof at such times, in such manner and for such consideration as the Company and such holder may agree to.

- 8.3 Cancellation of Purchased or Acquired Warrant If the Company shall purchase or otherwise acquire this Warrant, the same shall thereupon be canceled and retired.

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9. Adjustment of Warrant Price and Number of Warrant Shares.

The number and kind of securities purchasable upon the exercise of this Warrant and the Warrant Price shall be subject to adjustment from time to time upon the happening of certain events, as hereinafter defined.

9.1 Mechanical Adjustments. The number of Warrant Shares purchasable upon the exercise of this Warrant and the Warrant Price shall be subject to adjustment as follows:

- (a) If the Company shall at any time after the date of this Warrant (i) pay a dividend in shares of Common Stock or make a distribution in shares of Common Stock, (ii) subdivide its outstanding shares of Common Stock, (iii) combine its outstanding shares, of Common Stock into a smaller number of shares of Common Stock or (iv) issue by reclassification of its shares of Common Stock other securities of the Company (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing corporation), then the number of Warrant Shares purchasable upon exercise of this Warrant immediately prior thereto shall be adjusted so that the Holder shall be entitled to receive the kind and number of Warrant Shares or other securities of the Company that the Holder would have owned or have been entitled to receive after the happening of any of the events described above, had this Warrant been exercised immediately prior to the happening of such event or any record date with respect thereto. An adjustment made pursuant to this Section 9.1 (a) shall become effective immediately after the effective date of such event retroactive to the record date, if any, for such event.
- (b) If the Company shall issue rights, options or warrants to all holders of its outstanding shares of Common Stock, entitling them (for a period expiring within 45 days after the record date for the determination of stockholders entitled to receive such rights, options or warrants) to subscribe for or purchase shares of Common Stock (or securities exchangeable for or convertible into shares of Common Stock) at a price per share of Common Stock (or having an exchange or conversion price per share of Common Stock, with respect to a security exchangeable for or convertible into shares of Common Stock) that is less than the current Warrant Price on such record date, then the Warrant Price shall be adjusted by multiplying the Warrant Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding on such record date plus the number of shares of Common Stock that the aggregate offering price of the total number of shares of Common Stock so to be offered (or the aggregate initial exchange or conversion price of the exchangeable or convertible securities so to be offered) would purchase at such current Warrant Price on such record date and the denominator of which shall be the number of shares of Common Stock outstanding on such record date plus the number of additional shares of Common Stock to be offered for subscription or purchase (or into which the exchangeable or convertible securities so to be offered are initially exchangeable or convertible). Such adjustment shall become effective at the close of business on such record date; however, to the extent that shares of Common Stock (or securities exchangeable for or convertible into shares of Common Stock)

are not delivered after the expiration of such rights, options or warrants in accordance with their respective terms, the Warrant Price shall be readjusted (but only with regard to that portion of this Warrant exercised after such expiration) to the Warrant Price that would then be in effect had the adjustment made upon the issuance of such rights, options or warrants been made upon the basis of delivery of only the number of shares of Common Stock (or securities exchangeable for or convertible into shares of Common Stock) actually issued. In case any subscription price may be paid in a consideration part or all of which shall be in a form other than cash, the value of such consideration shall be as determined by the Board of Directors of the Company, whose determination shall be conclusive. Shares of Common Stock owned by or held for the account of the Company shall be deemed outstanding of the purpose of any such computation.

- (c) If the Company shall distribute to all holders of shares of Common Stock (including any such distribution made in connection with a consolidation or merger in which the Company is the surviving corporation) evidences of its indebtedness or assets (other than cash dividends and distributions payable out of consolidated retained earnings and dividends or distributions payable in shares of stock as described in Section 9.1(a) above), or rights, options, warrants or exchangeable or convertible securities containing the right to subscribe for or purchase shares of Common Stock (excluding those expiring within 45 days after the record date mentioned in Section 9.1(b) above), then in each case the Warrant Price shall be adjusted by multiplying the Warrant Price in effect immediately prior to the record date for the determination of stockholders entitled to receive such distribution by a fraction, the numerator of which shall be the current Warrant Price on such record date, less the fair market value (as determined by the Board of Directors of the Company, whose determination shall be conclusive) of the portion of the evidences of indebtedness or assets so to be distributed applicable to one share of Common Stock and the denominator of which shall be such current Warrant Price. Such adjustment shall be made whenever any such distribution is made, and shall become effective on the date of distribution retroactive to the record date for the determination of stockholders entitled to receive such distribution.
- (d) If the Company shall sell and issue shares of Common Stock, or rights, options, warrants or convertible or exchangeable securities containing the right to subscribe for or purchase shares of Common Stock (excluding (i) shares, rights, options, warrants or convertible or exchangeable securities issued in any of the transactions described in Sections 9.1(a), 9.1(b), or 9.1(c) above, (ii) stock options or warrants granted or to be granted to employees or directors of the Company and shares issuable upon exercise of such options or warrants, (iii) the Warrant Shares, (iv) shares issuable upon exercise of rights, options or warrants or conversion or exchange of convertible or exchangeable securities issued or sold under circumstances causing an adjustment pursuant to this Section 9.1 (d), (v) shares issued to stockholders of any corporation that is acquired by, merged into or becomes part of the

Company or a subsidiary of the Company in an arm's length transaction between the Company and an unaffiliated third party in proportion to their stock holdings of such corporation immediately prior to such merger, upon such merger or (vi) shares issuable upon exercise of rights, options, warrants or conversion or exchange of convertible or exchangeable securities outstanding on the date hereof) at a price per share of Common Stock (determined, in the case of such rights, options, warrants or convertible or exchangeable securities, by dividing (i) the total amount received or receivable by the Company in consideration of the sale and issuance of such rights, options, warrants or convertible or exchangeable securities, plus the total consideration payable to the Company upon exercise or conversion or exchange thereof, by (ii) the total number of shares of Common Stock covered by such rights, warrants or convertible or exchangeable securities, lower than the then current Warrant Price in effect on the date the Company fixes the offering price (or exercise price, option price or conversion price, as the case may be) per share of such Common Stock, then the Warrant Price with respect to this Warrant shall be reduced to a price

determined by multiplying the Warrant Price in effect immediately prior thereto by a fraction, the numerator of which shall be an amount equal to the sum of (A) the number of shares of Common Stock outstanding immediately prior to such sale and issuance plus (B) the number of shares of Common Stock that the aggregate consideration received (determined as provided below) for such sale or issuance would purchase at such current Warrant Price per share, and the denominator of which shall be the total number of shares of Common Stock to be outstanding immediately after such sale and issuance. Such adjustment shall be made successively whenever such an issuance is made; however, to the extent that shares of Common Stock are not delivered after the expiration of such rights, options, warrants or convertible or exchangeable securities in accordance with their respective terms, the Warrant Price shall be readjusted (but only with regard to that portion of this Warrant exercised after such expiration) to the Warrant Price that would then be in effect had the adjustment made upon the issuance of such rights, options, warrants or convertible or exchangeable securities been made upon the basis of delivery of only the number of shares of Common Stock actually issued. For the purposes of such adjustments, the shares of Common Stock that the holder of any such rights, options, warrants or convertible or exchangeable securities shall be entitled to subscribe for or purchase shall be deemed to be issued and outstanding as of the date of such sale and issuance and the consideration received by the Company therefor shall be deemed to be the consideration received by the Company for such rights, options, warrants or convertible or exchangeable securities, plus the consideration or premiums stated in such rights, options, warrants or convertible or exchangeable securities to be paid for the shares of Common Stock covered thereby. In case the Company shall sell and issue shares of Common Stock, or rights, options, warrants or convertible or exchangeable securities containing the right to subscribe for or purchase shares of Common Stock, for a consideration consisting, in whole or in part, of property other than cash or its equivalent, then in determining the "price per share of Common Stock" and the

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"consideration received by the Company" for the purposes of the first sentence of this Section 9.1(d), the Board of Directors shall determine, in its discretion, the fair value of such property, and all such determinations shall be conclusive and binding upon the Holder.

- (e) No adjustment in the Warrant Price shall be required unless such adjustment would require an increase or decrease of at least one percent or more in the Warrant Price or in the number of Warrant Shares purchasable upon exercise of this Warrant; provided, however, that any adjustments that by reason of this Section 9.1 (e) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 9.1 shall be made to the nearest one-tenth of one cent or to the nearest one-hundredth of a share, as the case may be.
- (f) Upon each adjustment of the Warrant Price as a result of the calculations made in Sections 9.1(b), 9.1(c), or 9.1(d) above, this Warrant shall thereafter evidence the right to purchase, at the adjusted Warrant Price, that number of Warrant Shares (calculated to the nearest hundredth) obtained by (i) multiplying the number of shares of Common Stock purchasable upon exercise of this Warrant prior to adjustment by the Warrant Price in effect prior to adjustment of the Warrant Price and (ii) dividing the product so obtained by the Warrant Price in effect after such adjustment of the Warrant Price.
- (g) In case of any capital reorganization of the Company or of any reclassification or change of the shares of Common Stock (other than a reclassification or change of the shares of Common Stock referred to in Section 9.1 (a) above and other than a change in par value, or from par value to no par value, or from no par value to par value,) or in case of the consolidation of the Company with, or the merger of the Company with, or merger of the Company into, any other corporation (other than a reclassification of the shares of Common Stock referred to in Section 9.1(a) above or a consolidation or merger that does not result in any reclassification or change of the outstanding shares of Common Stock) or of the sale of the properties and assets of the Company as, or substantially as, an entirety to any other corporation or entity, this Warrant shall after such capital reorganization, reclassification of shares of Common Stock, consolidation, merger or sale be exercisable, upon the

terms and conditions specified in this Warrant, for the number of shares or other securities, assets or cash to which a holder of the number of shares of Common Stock purchasable (at the time of such capital reorganization, reclassification of shares of Common Stock, consolidation, merger or sale) upon exercise of this Warrant would have been entitled upon such capital reorganization, reclassification of shares of Common Stock, consolidation, merger or sale; and in any such case, if necessary, the provisions set forth in this Section 9.1 with respect to the right and interests thereafter of the Holder shall be appropriately adjusted so as to be applicable, as nearly as may reasonably be possible, to any shares or other securities, assets or cash thereafter deliverable on the exercise of this Warrant. The subdivision or combination of shares of

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Common Stock at any time outstanding into a greater or lesser number of shares shall not be deemed to be a reclassification of the shares of Common Stock for the purposes of this Section 9.1(g). The Company shall not effect any such consolidation, merger or sale unless prior to or simultaneously with the consummation thereof, the successor corporation or entity (if other than the Company) resulting from such consolidation or merger, or the corporation or entity purchasing such assets, or other appropriate corporation or entity shall execute and deliver to the Holder a supplemental agreement to this Warrant, in form reasonable acceptable to the Holder, in which such other entity shall assume the obligation to deliver to the Holder such shares, securities, assets or cash as, in accordance with the foregoing provisions, the Holder may be entitled to purchase and all other obligations under this Warrant, including, but not limited to, similar application of the provisions of this Section 9.1 to any successive reclassifications, changes, consolidations, mergers, sales or transfers.

- (h) If at any time, as a result of an adjustment made pursuant to this Section 9.1, the Holder shall become entitled to purchase any shares or securities of the Company other than the shares of Common Stock, thereafter the number of such other shares or securities so purchasable upon exercise of this Warrant and the Warrant Price for such shares or securities shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the shares of Common Stock contained in Sections 9.1 (a) through 9.1(g), inclusive, above and the provisions of Sections 2, 3, 6, 7, 8 and 10 hereof with respect to the shares of Common Stock shall apply on like terms to any such other shares.
- (i) In any case in which this Section 9.1 shall require that an adjustment in the Warrant Price be made effective as of a record date for a specified event, the Company may elect to defer, until the occurrence of such event, issuing to the Holder of any portion of this Warrant exercised after such record date the shares of Common Stock, if any, issuable upon such exercise over and above the shares of Common Stock, if any, issuable upon such exercise on the basis of the Warrant Price in effect prior to such adjustment; provided, however, that the Company shall deliver as soon as practicable to the Holder a due bill or other appropriate instrument, in form acceptable to the Holder, evidencing the Holder's right to receive such additional shares of Common Stock upon the occurrence of the event requiring such adjustment.

9.2 Voluntary Adjustment by the Company. The Company may at its option, at any time during the term of this Warrant, reduce the then current Warrant Price to any amount deemed appropriate by the Board of Directors of the Company.

9.3 No Adjustment for Dividends. Except as provided in Section 9.1 hereof, no adjustment in respect of any dividends shall be made during the term of this Warrant or upon the exercise of this Warrant.

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9.4 Statement on Warrant. Irrespective of any adjustment in the Warrant Price with respect to this Warrant or the number or kind of shares purchasable upon the exercise of this Warrant, warrants theretofore or thereafter issued may continue to express the same price and number and kind of shares as are stated in this Warrant.

10. Fractional Interest.

The Company shall not be required to issue fractional Warrant Shares on the exercise of this Warrant. If any fraction of a Warrant Share would, except for the provisions of this Section 10, be issuable on the exercise of this Warrant (or specified portion thereof), the Company shall pay an amount in cash equal to the Warrant Price multiplied by such fraction.

11. No Rights as Stockholders; Notice to Holder.

Nothing contained in this Warrant shall be construed as conferring upon the Holder the right to vote or to receive dividends or to consent to or receive notice as a stockholder in respect of any meeting of stockholders for the election of directors of the Company or any other matter, or any rights whatsoever as a stockholder of the Company. If, however, at any time during the Exercise Period:

- (a) the Company shall declare any dividend payable in any securities upon shares of Common Stock or make any distribution (other than a cash dividend or a dividend payable in additional shares of Common Stock) to the holder of shares of Common Stock;
- (b) the Company shall offer to the holder of shares of Common Stock any additional shares of Common Stock or securities convertible into shares of Common Stock or any right to subscribe to shares of Common Stock or securities convertible or exchangeable into shares of Common Stock; or
- (c) a dissolution, liquidation or winding up of the Company (other than in connection with a consolidation, merger or sale of all or substantially all of its property, assets and business as an entirety) shall be proposed;

then in any one or more of such events, the Company shall give notice in writing of such event to the Holder as provided in Section 12 hereof at least 10 days prior to the date fixed as a record date or the date of closing the transfer books for the determination of the stockholders entitled to such dividend, distribution or subscription rights, or for the determination of stockholders entitled to vote on such proposed dissolution, liquidation or winding up. Such notice shall specify such record date or date of the closing of the transfer books, as the case may be. Failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of any action taken in connection with such dividend, distribution or subscription rights, or proposed dissolution, liquidation or winding up.

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12. Notices.

All notices, requests, consents and other communication hereunder shall be in writing and shall be deemed to have been made when delivered or mailed first class, postage prepaid, or delivered to the telegraph office:

- (i) if to the Holder at:

William E. Pritchard, III
6465 Overton Street
Baton Rouge, Louisiana 70808

- (ii) if to the Company at:

4600 Post Oak Place, Suite 309
Houston, Texas 77027
Attention: Corporate Secretary

or to such other address or addresses as the Holder or the Company may designate from time to time for itself by a notice pursuant hereto.

13. Successors

All the covenants and provisions of this Warrant by or for the benefit of the Company or the Holder shall bind and inure to the benefit of their respective successors and assigns hereunder.

14. Applicable Law

This Warrant shall be governed by and construed in accordance with the laws of the State of Texas.

15. Benefits of Warrant.

Nothing in this Warrant shall give or be construed to give any person or corporation other than the Company and the Holder any legal or equitable right, remedy or claim under this Warrant. This Warrant shall be for the sole and exclusive benefit of the Company and the Holder.

16. Captions

The captions of the sections of this Warrant have been inserted for convenience only and shall have no substantive effect.

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IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed as of this ____ day of _____, but effective as of September 1, 1996.

VAALCO Energy, Inc.

By:

CHARLES W. ALCORN, JR.
CHAIRMAN AND CEO

ATTEST:

GAYLA M. CUTRER
SECRETARY

AGREED AND ACCEPTED

WILLIAM E. PRITCHARD, III

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Exhibit A

ELECTION FORM

To be Executed by the Registered Holder
To Exercise Warrant

VAALCO ENERGY, INC.

The undersigned registered holder hereby exercises the right to purchase _____ shares of common stock covered by this Warrant according to the conditions thereof and herewith makes payment of the Warrant Price of such shares in full. By the execution and delivery hereof, the undersigned represents and warrants that the common stock being acquired hereby is being acquired by the undersigned for its own account and not with a view to, or for resale in connection with, any distribution thereof.

WILLIAM E. PRITCHARD, III

Dated:_____.

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No. W-004 For the Purchase of 250,000 Shares

This Warrant has not been registered under the Securities Act of 1933 or the laws of any state and may not be transferred in the absence of (a) an effective registration statement for this Warrant under the Securities Act of 1933 and applicable state laws or (b) an opinion of counsel satisfactory to the Company that such registration is not required. This Warrant is subject to other limitations on transfer.

FORM OF STOCK PURCHASE WARRANT TO PURCHASE
SHARES OF COMMON STOCK OF VAALCO ENERGY, INC.

This certifies that for value received, William E. Pritchard, III, or registered assigns (the "Holder"), is entitled, subject to the terms and conditions of this Warrant, at anytime or from time to time during the Exercise Period (as hereinafter defined), to purchase up to 250,000 shares of common stock, \$0.10 par value ("Common Stock"), of VAALCO Energy, Inc. a Delaware corporation (the "Company") (the shares of Common Stock issuable upon exercise of this Warrant being referred to herein as the "Warrant Shares"). This Warrant is issued in conjunction with the Employment Agreement, dated effective September 1, 1996, between the Holder and the Company.

1. Form of Election.

The form of election to purchase shares of Common Stock (the "Form of Election") shall be substantially as set forth in Exhibit A attached hereto. The price per Warrant Share and the number of Warrant Shares issuable upon exercise of this Warrant are subject to adjustment upon the occurrence of certain events, all as hereinafter provided.

2. Exercise Period; Exercise of Warrant.

2.1 Exercise Period. Subject to the terms of this Warrant, the Holder shall have the right, which may be exercised at any time or from time to time during the Exercise Period, to purchase from the Company the number of fully paid and nonassessable Warrant Shares this Warrant at the time represents the right to purchase, and, in the event that this Warrant is exercised in respect of fewer than all of the Warrant Shares purchasable on such exercise, a new warrant evidencing the remaining Warrant Shares that may be purchased shall be signed, issued and delivered by the Company to the Holder pursuant to the provisions of this Section 2. The term "Exercise Period" shall mean the period commencing on the effective date hereof and terminating at 5:00 p.m., Houston, Texas time, on September 1, 2001.

2.2 Exercise of Warrant. This Warrant may be exercised upon surrender to the Company at its principal office of this Warrant, together with Form of Election duly completed and signed, and upon payment to the Company of the Warrant Price (as defined in and determined in accordance with the provisions of Sections 3 and 9 hereof) for the number of Warrant Shares in respect of which this Warrant is then exercised. Payment of the aggregate Warrant Price with respect to the portion of this Warrant being exercised shall be made in cash, or by certified or official bank check, payable to the order of the Company.

Subject to Section 6 hereof, upon the surrender of this Warrant and payment of the Warrant Price as set forth above, the Company shall issue and cause to be delivered to the Holder or, upon the written order of the Holder and subject to

Section 5 hereof, to and in such name or names as the Holder may designate, a certificate or certificates for the number of full Warrant Shares so purchased upon the exercise of this Warrant together with cash in respect of any fractional Warrant Share otherwise issuable upon such surrender as provided in Section 10 hereof. Such certificate or certificates shall be deemed to have been issued and any person so designated to be named therein shall be deemed to have become a holder of record of such Warrant Shares as of the date of the surrender of this Warrant and payment of the Warrant Price, as aforesaid.

3. Warrant Price.

The price per share at which Warrant Shares shall be purchasable upon exercise of this Warrant initially shall be \$2.50 and shall be subject to adjustment pursuant to Section 9 hereof (such price as so adjusted is referred to herein as the "Warrant Price").

4. Exchange of Warrant.

In connection with a permitted transfer in accordance with Section 5 hereof, this Warrant may be exchanged at the option of the Holder thereof when surrendered at the principal office of the Company for another warrant, or other warrants of different denominations, of like tenor and representing in the aggregate the right to purchase a like number of Warrant Shares as this Warrant then entitles such Holder to purchase. Any Holder desiring to exchange this Warrant shall make such request in writing delivered to the Company, and shall surrender this Warrant. Thereupon the Company shall sign and deliver to the person entitled thereto a new warrant or warrants, as the case may be, as so requested.

5. No Registration of Warrant; Restriction on Transfer.

This Warrant may not be transferred to any person other than a person who controls or is controlled by or is under common control with the Holder, unless the Company consents in writing to such transfer, and any such transfer shall be subject to all restrictions contained in this Section 5. "Control" and any such transfer means the power to direct or cause the direction of the management and policies of such person whether by voting control, contract or otherwise. Prior to any such permitted transfer, the Holder will cause the transferee to execute and deliver to the Company an instrument, in form and substance satisfactory to the Company, binding such transferee to the terms and conditions of this Warrant.

This Warrant and the Warrant Shares have not been registered under the Securities Act of 1933, as amended (the "Act"), or any applicable state securities laws. The Holder, by acceptance hereof, agrees that this Warrant has been, and upon exercise hereof any Warrant Shares will be, acquired for investment and not with a view to distribution or resale and, in addition to other restrictions on transfer contained herein, may not be transferred without an effective registration statement for this Warrant or the Warrant Shares under the Act and applicable state securities laws or an opinion of counsel satisfactory to the Company that registration is not required thereunder. Unless registered, any Warrant Shares shall bear the following legend:

The securities represented by this certificate have not been registered under the Securities Act of 1933 or the laws of any state and may not be

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transferred in the absence of (a) an effective registration statement for the securities under the Securities Act of 1933 and applicable state laws or (b) an opinion of counsel satisfactory to the Company that such registration is not required. The securities represented by this certificate are also subject to certain other restrictions on transfer pursuant to the terms of that certain Stock Purchase Warrant to Purchase Shares of Common Stock of VAALCO Energy, Inc. (No. W-003), dated effective September 1, 1996. Copies of such agreement may be obtained upon written request to the Secretary of the Company.

The Holder has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the investment involved in the purchase of the Warrant. The Holder has been advised by the Company (i) of the applicable limitations upon the resale of the Warrant and the Warrant Shares, including the restrictions on transfer contained in this Section 5, (ii) that the Warrant is not and the Warrant Shares are not registered under the Act and must be held indefinitely unless the Warrant or the Warrant Shares, as the case may be, are subsequently registered under the Act or an exemption from registration is available, (iii) that any routine sale of the Warrant or the Warrant Shares made in reliance upon Rule 144 as promulgated under the Act ("Rule 144") can be made only after the Warrant or the Warrant Shares, as the case may be, have been held at least two years and only in limited amounts in accordance with the terms and conditions of Rule 144 and at times when Rule 144 is available, and (iv) that the availability of Rule 144 for sales of the Warrant or the Warrant Shares is dependent, among other factors, on matters not within the control of the Holder. The Holder represents that it is fully familiar with the circumstances under which it is required to hold the Warrant and the Warrant Shares and the limitations upon the transfer or the disposition thereof. The Holder acknowledges that the Company is relying upon the truth and accuracy of the foregoing representations and warranties in issuing the Warrant to the Holder.

The Holder understands that the transfer agent for the Common Stock will be instructed to place a stop transfer notation in the stock records in respect of any certificates issued by the Company

representing the Warrant Shares, and the Holder consents and agrees to the placing of such stop transfer order.

The Holder represents that it is familiar with the business and financial condition of the Company and acknowledges that it has been afforded the opportunity to obtain any additional information, including the opportunity to ask questions of and receive answers, from officers and representatives of the Company. The Holder acknowledges that it has requested and received all information regarding the Company that the Holder deems relevant to its investigation of the Company, including but not limited to certain reports filed by the Company with the Securities and Exchange Commission, and has made such inspections of the Company and its facilities and records, and has consulted with the Company's officers, employees, attorneys and agents for the purpose of determining the accuracy of the representations and warranties and the compliance with the covenants made herein by the Company to the extent it deems appropriate.

The Company shall not be required to register this Warrant or the Warrant Shares under the Act or under any state laws.

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6. Payment of Taxes.

The Company will pay when due and payable any and all U.S. federal and state transfer taxes and charges that may be payable in respect of the issuance or delivery to the Holder of this Warrant or of any Warrant Shares upon the exercise of this Warrant. The Company shall not, however, be required to pay any transfer tax that may be payable in respect of any transfer involved in the transfer or delivery of this Warrant or the issuance or delivery of certificates for Warrant Shares in the name other than that of the Holder or to issue or deliver any certificates for Warrant Shares upon the exercise of this Warrant until such tax shall have been paid (any such tax being payable by the Holder at the time of surrender) or until it has been established to the Company's satisfaction that no such tax is due.

7. Mutilated or Missing Warrant

In case this Warrant shall be mutilated, lost, stolen or destroyed, the Company may, in its discretion, execute, issue and deliver in exchange and substitution for and upon cancellation of the mutilated Warrant, or in lieu of and substitution for the Warrant lost, stolen or destroyed, a new warrant of like tenor and representing an equivalent right or interest; but only upon receipt of evidence satisfactory to the Company of such loss, theft or destruction of this Warrant and indemnity, if requested, satisfactory to the Company. The Holder requesting such a substitute warrant shall also comply with such other reasonable regulations and pay such other reasonable charges as the Company may prescribe.

8. Reservation of Warrant Shares; Purchase of Warrant by the Company.

8.1 Reservation of Warrant Shares. The Company shall at all times reserve for issuance from its authorized and unissued shares of Common Stock (i) the number of shares of Common Stock needed for issuance upon the exercise of this Warrant plus (ii) the number of shares of Common Stock required to be reserved for all other purposes. The Company covenants that all shares of Common Stock issuable as herein provided shall, when so issued, be duly and validly issued, fully paid and nonassessable, and free from all taxes, liens and charges with respect thereto.

8.2 Purchase of Warrant by the Company. The Company shall not be prohibited, except as limited by law or any other agreement, from offering to purchase, purchasing or otherwise acquiring this Warrant from any holder thereof at such times, in such manner and for such consideration as the Company and such holder may agree to.

8.3 Cancellation of Purchased or Acquired Warrant If the Company shall purchase or otherwise acquire this Warrant, the same shall thereupon be canceled and retired.

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9. Adjustment of Warrant Price and Number of Warrant Shares.

The number and kind of securities purchasable upon the exercise of this Warrant and the Warrant Price shall be subject to adjustment from time to time upon the happening of certain events, as hereinafter

defined.

9.1 Mechanical Adjustments. The number of Warrant Shares purchasable upon the exercise of this Warrant and the Warrant Price shall be subject to adjustment as follows:

- (a) If the Company shall at any time after the date of this Warrant (i) pay a dividend in shares of Common Stock or make a distribution in shares of Common Stock, (ii) subdivide its outstanding shares of Common Stock, (iii) combine its outstanding shares, of Common Stock into a smaller number of shares of Common Stock or (iv) issue by reclassification of its shares of Common Stock other securities of the Company (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing corporation), then the number of Warrant Shares purchasable upon exercise of this Warrant immediately prior thereto shall be adjusted so that the Holder shall be entitled to receive the kind and number of Warrant Shares or other securities of the Company that the Holder would have owned or have been entitled to receive after the happening of any of the events described above, had this Warrant been exercised immediately prior to the happening of such event or any record date with respect thereto. An adjustment made pursuant to this Section 9.1 (a) shall become effective immediately after the effective date of such event retroactive to the record date, if any, for such event.
- (b) If the Company shall issue rights, options or warrants to all holders of its outstanding shares of Common Stock, entitling them (for a period expiring within 45 days after the record date for the determination of stockholders entitled to receive such rights, options or warrants) to subscribe for or purchase shares of Common Stock (or securities exchangeable for or convertible into shares of Common Stock) at a price per share of Common Stock (or having an exchange or conversion price per share of Common Stock, with respect to a security exchangeable for or convertible into shares of Common Stock) that is less than the current Warrant Price on such record date, then the Warrant Price shall be adjusted by multiplying the Warrant Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding on such record date plus the number of shares of Common Stock that the aggregate offering price of the total number of shares of Common Stock so to be offered (or the aggregate initial exchange or conversion price of the exchangeable or convertible securities so to be offered) would purchase at such current Warrant Price on such record date and the denominator of which shall be the number of shares of Common Stock outstanding on such record date plus the number of additional shares of Common Stock to be offered for subscription or purchase (or into which the exchangeable or convertible securities so to be offered are initially exchangeable or convertible). Such adjustment shall become effective at the close of business on such record date; however, to the extent that shares of Common Stock (or securities exchangeable for or convertible into shares of Common Stock)

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are not delivered after the expiration of such rights, options or warrants in accordance with their respective terms, the Warrant Price shall be readjusted (but only with regard to that portion of this Warrant exercised after such expiration) to the Warrant Price that would then be in effect had the adjustment made upon the issuance of such rights, options or warrants been made upon the basis of delivery of only the number of shares of Common Stock (or securities exchangeable for or convertible into shares of Common Stock) actually issued. In case any subscription price may be paid in a consideration part or all of which shall be in a form other than cash, the value of such consideration shall be as determined by the Board of Directors of the Company, whose determination shall be conclusive. Shares of Common Stock owned by or held for the account of the Company shall be deemed outstanding of the purpose of any such computation.

- (c) If the Company shall distribute to all holders of shares of Common Stock (including any such distribution made in connection with a consolidation or merger in which the

Company is the surviving corporation) evidences of its indebtedness or assets (other than cash dividends and distributions payable out of consolidated retained earnings and dividends or distributions payable in shares of stock as described in Section 9.1(a) above), or rights, options, warrants or exchangeable or convertible securities containing the right to subscribe for or purchase shares of Common Stock (excluding those expiring within 45 days after the record date mentioned in Section 9.1(b) above), then in each case the Warrant Price shall be adjusted by multiplying the Warrant Price in effect immediately prior to the record date for the determination of stockholders entitled to receive such distribution by a fraction, the numerator of which shall be the current Warrant Price on such record date, less the fair market value (as determined by the Board of Directors of the Company, whose determination shall be conclusive) of the portion of the evidences of indebtedness or assets so to be distributed applicable to one share of Common Stock and the denominator of which shall be such current Warrant Price. Such adjustment shall be made whenever any such distribution is made, and shall become effective on the date of distribution retroactive to the record date for the determination of stockholders entitled to receive such distribution.

- (d) If the Company shall sell and issue shares of Common Stock, or rights, options, warrants or convertible or exchangeable securities containing the right to subscribe for or purchase shares of Common Stock (excluding (i) shares, rights, options, warrants or convertible or exchangeable securities issued in any of the transactions described in Sections 9.1(a), 9.1(b), or 9.1(c) above, (ii) stock options or warrants granted or to be granted to employees or directors of the Company and shares issuable upon exercise of such options or warrants, (iii) the Warrant Shares, (iv) shares issuable upon exercise of rights, options or warrants or conversion or exchange of convertible or exchangeable securities issued or sold under circumstances causing an adjustment pursuant to this Section 9.1 (d), (v) shares issued to stockholders of any corporation that is acquired by, merged into or becomes part of the

Company or a subsidiary of the Company in an arm's length transaction between the Company and an unaffiliated third party in proportion to their stock holdings of such corporation immediately prior to such merger, upon such merger or (vi) shares issuable upon exercise of rights, options, warrants or conversion or exchange of convertible or exchangeable securities outstanding on the date hereof) at a price per share of Common Stock (determined, in the case of such rights, options, warrants or convertible or exchangeable securities, by dividing (i) the total amount received or receivable by the Company in consideration of the sale and issuance of such rights, options, warrants or convertible or exchangeable securities, plus the total consideration payable to the Company upon exercise or conversion or exchange thereof, by (ii) the total number of shares of Common Stock covered by such rights, warrants or convertible or exchangeable securities, lower than the then current Warrant Price in effect on the date the Company fixes the offering price (or exercise price, option price or conversion price, as the case may be) per share of such Common Stock, then the Warrant Price with respect to this Warrant shall be reduced to a price determined by multiplying the Warrant Price in effect immediately prior thereto by a fraction, the numerator of which shall be an amount equal to the sum of (A) the number of shares of Common Stock outstanding immediately prior to such sale and issuance plus (B) the number of shares of Common Stock that the aggregate consideration received (determined as provided below) for such sale or issuance would purchase at such current Warrant Price per share, and the denominator of which shall be the total number of shares of Common Stock to be outstanding immediately after such sale and issuance. Such adjustment shall be made successively whenever such an issuance is made; however, to the extent that shares of Common Stock are not delivered after the expiration of such rights, options, warrants or convertible or exchangeable securities in accordance with their respective terms, the Warrant Price shall be readjusted (but only with regard to that portion of this Warrant exercised after such expiration) to the Warrant Price that would then be in

effect had the adjustment made upon the issuance of such rights, options, warrants or convertible or exchangeable securities been made upon the basis of delivery of only the number of shares of Common Stock actually issued. For the purposes of such adjustments, the shares of Common Stock that the holder of any such rights, options, warrants or convertible or exchangeable securities shall be entitled to subscribe for or purchase shall be deemed to be issued and outstanding as of the date of such sale and issuance and the consideration received by the Company therefor shall be deemed to be the consideration received by the Company for such rights, options, warrants or convertible or exchangeable securities, plus the consideration or premiums stated in such rights, options, warrants or convertible or exchangeable securities to be paid for the shares of Common Stock covered thereby. In case the Company shall sell and issue shares of Common Stock, or rights, options, warrants or convertible or exchangeable securities containing the right to subscribe for or purchase shares of Common Stock, for a consideration consisting, in whole or in part, of property other than cash or its equivalent, then in determining the "price per share of Common Stock" and the

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"consideration received by the Company" for the purposes of the first sentence of this Section 9.1(d), the Board of Directors shall determine, in its discretion, the fair value of such property, and all such determinations shall be conclusive and binding upon the Holder.

- (e) No adjustment in the Warrant Price shall be required unless such adjustment would require an increase or decrease of at least one percent or more in the Warrant Price or in the number of Warrant Shares purchasable upon exercise of this Warrant; provided, however, that any adjustments that by reason of this Section 9.1 (e) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 9.1 shall be made to the nearest one-tenth of one cent or to the nearest one-hundredth of a share, as the case may be.
- (f) Upon each adjustment of the Warrant Price as a result of the calculations made in Sections 9.1(b), 9.1(c), or 9.1(d) above, this Warrant shall thereafter evidence the right to purchase, at the adjusted Warrant Price, that number of Warrant Shares (calculated to the nearest hundredth) obtained by (i) multiplying the number of shares of Common Stock purchasable upon exercise of this Warrant prior to adjustment by the Warrant Price in effect prior to adjustment of the Warrant Price and (ii) dividing the product so obtained by the Warrant Price in effect after such adjustment of the Warrant Price.
- (g) In case of any capital reorganization of the Company or of any reclassification or change of the shares of Common Stock (other than a reclassification or change of the shares of Common Stock referred to in Section 9.1 (a) above and other than a change in par value, or from par value to no par value, or from no par value to par value,) or in case of the consolidation of the Company with, or the merger of the Company with, or merger of the Company into, any other corporation (other than a reclassification of the shares of Common Stock referred to in Section 9.1(a) above or a consolidation or merger that does not result in any reclassification or change of the outstanding shares of Common Stock) or of the sale of the properties and assets of the Company as, or substantially as, an entirety to any other corporation or entity, this Warrant shall after such capital reorganization, reclassification of shares of Common Stock, consolidation, merger or sale be exercisable, upon the terms and conditions specified in this Warrant, for the number of shares or other securities, assets or cash to which a holder of the number of shares of Common Stock purchasable (at the time of such capital reorganization, reclassification of shares of Common Stock, consolidation, merger or sale) upon exercise of this Warrant would have been entitled upon such capital reorganization, reclassification of shares of Common Stock, consolidation, merger or sale; and in any such case, if necessary, the provisions set forth in this Section 9.1 with respect to the right and interests thereafter of the Holder shall be appropriately adjusted so as to be applicable, as nearly as may reasonably be possible, to any shares or other

securities, assets or cash thereafter deliverable on the exercise of this Warrant. The subdivision or combination of shares of

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Common Stock at any time outstanding into a greater or lesser number of shares shall not be deemed to be a reclassification of the shares of Common Stock for the purposes of this Section 9.1(g). The Company shall not effect any such consolidation, merger or sale unless prior to or simultaneously with the consummation thereof, the successor corporation or entity (if other than the Company) resulting from such consolidation or merger, or the corporation or entity purchasing such assets, or other appropriate corporation or entity shall execute and deliver to the Holder a supplemental agreement to this Warrant, in form reasonable acceptable to the Holder, in which such other entity shall assume the obligation to deliver to the Holder such shares, securities, assets or cash as, in accordance with the foregoing provisions, the Holder may be entitled to purchase and all other obligations under this Warrant, including, but not limited to, similar application of the provisions of this Section 9.1 to any successive reclassifications, changes, consolidations, mergers, sales or transfers.

- (h) If at any time, as a result of an adjustment made pursuant to this Section 9.1, the Holder shall become entitled to purchase any shares or securities of the Company other than the shares of Common Stock, thereafter the number of such other shares or securities so purchasable upon exercise of this Warrant and the Warrant Price for such shares or securities shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the shares of Common Stock contained in Sections 9.1 (a) through 9.1(g), inclusive, above and the provisions of Sections 2, 3, 6, 7, 8 and 10 hereof with respect to the shares of Common Stock shall apply on like terms to any such other shares.
- (i) In any case in which this Section 9.1 shall require that an adjustment in the Warrant Price be made effective as of a record date for a specified event, the Company may elect to defer, until the occurrence of such event, issuing to the Holder of any portion of this Warrant exercised after such record date the shares of Common Stock, if any, issuable upon such exercise over and above the shares of Common Stock, if any, issuable upon such exercise on the basis of the Warrant Price in effect prior to such adjustment; provided, however, that the Company shall deliver as soon as practicable to the Holder a due bill or other appropriate instrument, in form acceptable to the Holder, evidencing the Holder's right to receive such additional shares of Common Stock upon the occurrence of the event requiring such adjustment.

9.2 Voluntary Adjustment by the Company. The Company may at its option, at any time during the term of this Warrant, reduce the then current Warrant Price to any amount deemed appropriate by the Board of Directors of the Company.

9.3 No Adjustment for Dividends. Except as provided in Section 9.1 hereof, no adjustment in respect of any dividends shall be made during the term of this Warrant or upon the exercise of this Warrant.

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9.4 Statement on Warrant. Irrespective of any adjustment in the Warrant Price with respect to this Warrant or the number or kind of shares purchasable upon the exercise of this Warrant, warrants theretofore or thereafter issued may continue to express the same price and number and kind of shares as are stated in this Warrant.

10. Fractional Interest.

The Company shall not be required to issue fractional Warrant Shares on the exercise of this Warrant. If any fraction of a Warrant Share would, except for the provisions of this Section 10, be issuable on the exercise of this Warrant (or specified portion thereof), the Company shall pay an amount in cash equal to the Warrant Price

multiplied by such fraction.

11. No Rights as Stockholders; Notice to Holder.

Nothing contained in this Warrant shall be construed as conferring upon the Holder the right to vote or to receive dividends or to consent to or receive notice as a stockholder in respect of any meeting of stockholders for the election of directors of the Company or any other matter, or any rights whatsoever as a stockholder of the Company. If, however, at any time during the Exercise Period:

- (a) the Company shall declare any dividend payable in any securities upon shares of Common Stock or make any distribution (other than a cash dividend or a dividend payable in additional shares of Common Stock) to the holder of shares of Common Stock;
- (b) the Company shall offer to the holder of shares of Common Stock any additional shares of Common Stock or securities convertible into shares of Common Stock or any right to subscribe to shares of Common Stock or securities convertible or exchangeable into shares of Common Stock; or
- (c) a dissolution, liquidation or winding up of the Company (other than in connection with a consolidation, merger or sale of all or substantially all of its property, assets and business as an entirety) shall be proposed;

then in any one or more of such events, the Company shall give notice in writing of such event to the Holder as provided in Section 12 hereof at least 10 days prior to the date fixed as a record date or the date of closing the transfer books for the determination of the stockholders entitled to such dividend, distribution or subscription rights, or for the determination of stockholders entitled to vote on such proposed dissolution, liquidation or winding up. Such notice shall specify such record date or date of the closing of the transfer books, as the case may be. Failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of any action taken in connection with such dividend, distribution or subscription rights, or proposed dissolution, liquidation or winding up.

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12. Notices.

All notices, requests, consents and other communication hereunder shall be in writing and shall be deemed to have been made when delivered or mailed first class, postage prepaid, or delivered to the telegraph office:

- (i) if to the Holder at:

William E. Pritchard, III
6465 Overton Street
Baton Rouge, Louisiana 70808

- (ii) if to the Company at:

4600 Post Oak Place, Suite 309
Houston, Texas 77027
Attention: Corporate Secretary

or to such other address or addresses as the Holder or the Company may designate from time to time for itself by a notice pursuant hereto.

13. Successors

All the covenants and provisions of this Warrant by or for the benefit of the Company or the Holder shall bind and inure to the benefit of their respective successors and assigns hereunder.

14. Applicable Law

This Warrant shall be governed by and construed in accordance with the laws of the State of Texas.

15. Benefits of Warrant.

Nothing in this Warrant shall give or be construed to give any person or corporation other than the Company and the Holder any legal or equitable right, remedy or claim under this Warrant. This Warrant shall be for the sole and exclusive benefit of the Company and the Holder.

16. Captions

The captions of the sections of this Warrant have been inserted for convenience only and shall have no substantive effect.

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IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed as of this _____ day of _____, but effective as of September 1, 1996.

VAALCO Energy, Inc.

By: _____
CHARLES W. ALCORN, JR.
CHAIRMAN AND CEO

ATTEST:

GAYLA M. CUTRER
SECRETARY

AGREED AND ACCEPTED

WILLIAM E. PRITCHARD, III

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Exhibit A

ELECTION FORM

To be Executed by the Registered Holder
To Exercise Warrant

VAALCO ENERGY, INC.

The undersigned registered holder hereby exercises the right to purchase _____ shares of common stock covered by this Warrant according to the conditions thereof and herewith makes payment of the Warrant Price of such shares in full. By the execution and delivery hereof, the undersigned represents and warrants that the common stock being acquired hereby is being acquired by the undersigned for its own account and not with a view to, or for resale in connection with, any distribution thereof.

WILLIAM E. PRITCHARD, III

Dated:_____.

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No. W-005 For the Purchase of 250,000 Shares

This Warrant has not been registered under the Securities Act of 1933 or the laws of any state and may not be transferred in the absence of (a) an effective registration statement for this Warrant under the Securities Act of 1933 and applicable state laws or (b) an opinion of counsel satisfactory to the Company that such registration is not required. This Warrant is subject to other limitations on transfer.

FORM OF STOCK PURCHASE WARRANT TO PURCHASE
SHARES OF COMMON STOCK OF VAALCO ENERGY, INC.

This certifies that for value received, William E. Pritchard, III, or registered assigns (the "Holder"), is entitled, subject to the terms and conditions of this Warrant, at anytime or from time to time during the Exercise Period (as hereinafter defined), to purchase up to 250,000 shares of common stock, \$0.10 par value ("Common Stock"), of VAALCO Energy, Inc. a Delaware corporation (the "Company") (the shares of Common Stock issuable upon exercise of this Warrant being referred to herein as the "Warrant Shares"). This Warrant is issued in conjunction with the Employment Agreement, dated effective September 1, 1996, between the Holder and the Company.

1. Form of Election.

The form of election to purchase shares of Common Stock (the "Form of Election") shall be substantially as set forth in Exhibit A attached hereto. The price per Warrant Share and the number of Warrant Shares issuable upon exercise of this Warrant are subject to adjustment upon the occurrence of certain events, all as hereinafter provided.

2. Exercise Period; Exercise of Warrant.

2.1 Exercise Period. Subject to the terms of this Warrant, the Holder shall have the right, which may be exercised at any time or from time to time during the Exercise Period, to purchase from the Company the number of fully paid and nonassessable Warrant Shares this Warrant at the time represents the right to purchase, and, in the event that this Warrant is exercised in respect of fewer than all of the Warrant Shares purchasable on such exercise, a new warrant evidencing the remaining Warrant Shares that may be purchased shall be signed, issued and delivered by the Company to the Holder pursuant to the provisions of this Section 2. The term "Exercise Period" shall mean the period commencing on the effective date hereof and terminating at 5:00 p.m., Houston, Texas time, on September 1, 2001.

2.2 Exercise of Warrant. This Warrant may be exercised upon surrender to the Company at its principal office of this Warrant, together with Form of Election duly completed and signed, and upon payment to the Company of the Warrant Price (as defined in and determined in accordance with the provisions of Sections 3 and 9 hereof) for the number of Warrant Shares in respect of which this Warrant is then exercised. Payment of the aggregate Warrant Price with respect to the portion of this Warrant being exercised shall be made in cash, or by certified or official bank check, payable to the order of the Company.

Subject to Section 6 hereof, upon the surrender of this Warrant and payment of the Warrant Price as set forth above, the Company shall issue and cause to be delivered to the Holder or, upon the written order of the Holder and subject to

Section 5 hereof, to and in such name or names as the Holder may designate, a certificate or certificates for the number of full Warrant Shares so purchased upon the exercise of this Warrant together with cash in respect of any fractional Warrant Share otherwise issuable upon such surrender as provided in Section 10 hereof. Such certificate or certificates shall be deemed to have been issued and any person so designated to be named therein shall be deemed to have become a holder of record of such Warrant Shares as of the date of the surrender of this Warrant and payment of the Warrant Price, as aforesaid.

3. Warrant Price.

The price per share at which Warrant Shares shall be purchasable upon exercise of this Warrant initially shall be \$5.00 and shall be subject to adjustment pursuant to Section 9 hereof (such price as so adjusted is referred to herein as the "Warrant Price").

4. Exchange of Warrant.

In connection with a permitted transfer in accordance with Section 5 hereof, this Warrant may be exchanged at the option of the Holder thereof when surrendered at the principal office of the Company for another warrant, or other warrants of different denominations, of like tenor and representing in the aggregate the right to purchase a like number of Warrant Shares as this Warrant then entitles such Holder to purchase. Any Holder desiring to exchange this Warrant shall make such request in writing delivered to the Company, and shall surrender this Warrant. Thereupon the Company shall sign and deliver to the person entitled thereto a new warrant or warrants, as the case may be, as so requested.

5. No Registration of Warrant; Restriction on Transfer.

This Warrant may not be transferred to any person other than a person who controls or is controlled by or is under common control with the Holder, unless the Company consents in writing to such transfer, and any such transfer shall be subject to all restrictions contained in this Section 5. "Control" and any such transfer means the power to direct or cause the direction of the management and policies of such person whether by voting control, contract or otherwise. Prior to any such permitted transfer, the Holder will cause the transferee to execute and deliver to the Company an instrument, in form and substance satisfactory to the Company, binding such transferee to the terms and conditions of this Warrant.

This Warrant and the Warrant Shares have not been registered under the Securities Act of 1933, as amended (the "Act"), or any applicable state securities laws. The Holder, by acceptance hereof, agrees that this Warrant has been, and upon exercise hereof any Warrant Shares will be, acquired for investment and not with a view to distribution or resale and, in addition to other restrictions on transfer contained herein, may not be transferred without an effective registration statement for this Warrant or the Warrant Shares under the Act and applicable state securities laws or an opinion of counsel satisfactory to the Company that registration is not required thereunder. Unless registered, any Warrant Shares shall bear the following legend:

The securities represented by this certificate have not been registered under the Securities Act of 1933 or the laws of any state and may not be

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transferred in the absence of (a) an effective registration statement for the securities under the Securities Act of 1933 and applicable state laws or (b) an opinion of counsel satisfactory to the Company that such registration is not required. The securities represented by this certificate are also subject to certain other restrictions on transfer pursuant to the terms of that certain Stock Purchase Warrant to Purchase Shares of Common Stock of VAALCO Energy, Inc. (No. W-003), dated effective September 1, 1996. Copies of such agreement may be obtained upon written request to the Secretary of the Company.

The Holder has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the investment involved in the purchase of the Warrant. The Holder has been advised by the Company (i) of the applicable limitations upon the resale of the Warrant and the Warrant Shares, including the restrictions on transfer contained in this Section 5, (ii) that the Warrant is not and the Warrant Shares are not registered under the Act and must be held indefinitely unless the Warrant or the Warrant Shares, as the case may be, are subsequently registered under the Act or an exemption from registration is available, (iii) that any routine sale of the Warrant or the Warrant Shares made in reliance upon Rule 144 as promulgated under the Act ("Rule 144") can be made only after the Warrant or the Warrant Shares, as the case may be, have been held at least two years and only in limited amounts in accordance with the terms and conditions of Rule 144 and at times when Rule 144 is available, and (iv) that the availability of Rule 144 for sales of the Warrant or the Warrant Shares is dependent, among other factors, on matters not within the control of the Holder. The Holder represents that it is fully familiar with the circumstances under which it is required to hold the Warrant and the Warrant Shares and the limitations upon the transfer or the disposition thereof. The Holder acknowledges that the Company is relying upon the truth and accuracy of the foregoing representations and warranties in issuing the Warrant to the Holder.

The Holder understands that the transfer agent for the Common Stock will be instructed to place a stop transfer notation in the stock records in respect of any certificates issued by the Company representing the Warrant Shares, and the Holder consents and agrees to the placing of

such stop transfer order.

The Holder represents that it is familiar with the business and financial condition of the Company and acknowledges that it has been afforded the opportunity to obtain any additional information, including the opportunity to ask questions of and receive answers, from officers and representatives of the Company. The Holder acknowledges that it has requested and received all information regarding the Company that the Holder deems relevant to its investigation of the Company, including but not limited to certain reports filed by the Company with the Securities and Exchange Commission, and has made such inspections of the Company and its facilities and records, and has consulted with the Company's officers, employees, attorneys and agents for the purpose of determining the accuracy of the representations and warranties and the compliance with the covenants made herein by the Company to the extent it deems appropriate.

The Company shall not be required to register this Warrant or the Warrant Shares under the Act or under any state laws.

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6. Payment of Taxes.

The Company will pay when due and payable any and all U.S. federal and state transfer taxes and charges that may be payable in respect of the issuance or delivery to the Holder of this Warrant or of any Warrant Shares upon the exercise of this Warrant. The Company shall not, however, be required to pay any transfer tax that may be payable in respect of any transfer involved in the transfer or delivery of this Warrant or the issuance or delivery of certificates for Warrant Shares in the name other than that of the Holder or to issue or deliver any certificates for Warrant Shares upon the exercise of this Warrant until such tax shall have been paid (any such tax being payable by the Holder at the time of surrender) or until it has been established to the Company's satisfaction that no such tax is due.

7. Mutilated or Missing Warrant

In case this Warrant shall be mutilated, lost, stolen or destroyed, the Company may, in its discretion, execute, issue and deliver in exchange and substitution for and upon cancellation of the mutilated Warrant, or in lieu of and substitution for the Warrant lost, stolen or destroyed, a new warrant of like tenor and representing an equivalent right or interest; but only upon receipt of evidence satisfactory to the Company of such loss, theft or destruction of this Warrant and indemnity, if requested, satisfactory to the Company. The Holder requesting such a substitute warrant shall also comply with such other reasonable regulations and pay such other reasonable charges as the Company may prescribe.

8. Reservation of Warrant Shares; Purchase of Warrant by the Company.

8.1 Reservation of Warrant Shares. The Company shall at all times reserve for issuance from its authorized and unissued shares of Common Stock (i) the number of shares of Common Stock needed for issuance upon the exercise of this Warrant plus (ii) the number of shares of Common Stock required to be reserved for all other purposes. The Company covenants that all shares of Common Stock issuable as herein provided shall, when so issued, be duly and validly issued, fully paid and nonassessable, and free from all taxes, liens and charges with respect thereto.

8.2 Purchase of Warrant by the Company. The Company shall not be prohibited, except as limited by law or any other agreement, from offering to purchase, purchasing or otherwise acquiring this Warrant from any holder thereof at such times, in such manner and for such consideration as the Company and such holder may agree to.

8.3 Cancellation of Purchased or Acquired Warrant If the Company shall purchase or otherwise acquire this Warrant, the same shall thereupon be canceled and retired.

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9. Adjustment of Warrant Price and Number of Warrant Shares.

The number and kind of securities purchasable upon the exercise of this Warrant and the Warrant Price shall be subject to adjustment from time to time upon the happening of certain events, as hereinafter defined.

9.1 Mechanical Adjustments. The number of Warrant Shares purchasable upon the exercise of this Warrant and the Warrant Price shall be subject

to adjustment as follows:

- (a) If the Company shall at any time after the date of this Warrant
- (i) pay a dividend in shares of Common Stock or make a distribution in shares of Common Stock, (ii) subdivide its outstanding shares of Common Stock, (iii) combine its outstanding shares, of Common Stock into a smaller number of shares of Common Stock or (iv) issue by reclassification of its shares of Common Stock other securities of the Company (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing corporation), then the number of Warrant Shares purchasable upon exercise of this Warrant immediately prior thereto shall be adjusted so that the Holder shall be entitled to receive the kind and number of Warrant Shares or other securities of the Company that the Holder would have owned or have been entitled to receive after the happening of any of the events described above, had this Warrant been exercised immediately prior to the happening of such event or any record date with respect thereto. An adjustment made pursuant to this Section 9.1 (a) shall become effective immediately after the effective date of such event retroactive to the record date, if any, for such event.
- (b) If the Company shall issue rights, options or warrants to all holders of its outstanding shares of Common Stock, entitling them (for a period expiring within 45 days after the record date for the determination of stockholders entitled to receive such rights, options or warrants) to subscribe for or purchase shares of Common Stock (or securities exchangeable for or convertible into shares of Common Stock) at a price per share of Common Stock (or having an exchange or conversion price per share of Common Stock, with respect to a security exchangeable for or convertible into shares of Common Stock) that is less than the current Warrant Price on such record date, then the Warrant Price shall be adjusted by multiplying the Warrant Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding on such record date plus the number of shares of Common Stock that the aggregate offering price of the total number of shares of Common Stock so to be offered (or the aggregate initial exchange or conversion price of the exchangeable or convertible securities so to be offered) would purchase at such current Warrant Price on such record date and the denominator of which shall be the number of shares of Common Stock outstanding on such record date plus the number of additional shares of Common Stock to be offered for subscription or purchase (or into which the exchangeable or convertible securities so to be offered are initially exchangeable or convertible). Such adjustment shall become effective at the close of business on such record date; however, to the extent that shares of Common Stock (or securities exchangeable for or convertible into shares of Common Stock)

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are not delivered after the expiration of such rights, options or warrants in accordance with their respective terms, the Warrant Price shall be readjusted (but only with regard to that portion of this Warrant exercised after such expiration) to the Warrant Price that would then be in effect had the adjustment made upon the issuance of such rights, options or warrants been made upon the basis of delivery of only the number of shares of Common Stock (or securities exchangeable for or convertible into shares of Common Stock) actually issued. In case any subscription price may be paid in a consideration part or all of which shall be in a form other than cash, the value of such consideration shall be as determined by the Board of Directors of the Company, whose determination shall be conclusive. Shares of Common Stock owned by or held for the account of the Company shall be deemed outstanding of the purpose of any such computation.

- (c) If the Company shall distribute to all holders of shares of Common Stock (including any such distribution made in connection with a consolidation or merger in which the Company is the surviving corporation) evidences of its indebtedness or assets (other than cash dividends and distributions payable out of consolidated retained earnings and dividends or distributions payable in shares of stock as described in Section 9.1(a) above), or rights, options, warrants or exchangeable or convertible securities containing the right to subscribe for or purchase shares of Common Stock (excluding

those expiring within 45 days after the record date mentioned in Section 9.1(b) above), then in each case the Warrant Price shall be adjusted by multiplying the Warrant Price in effect immediately prior to the record date for the determination of stockholders entitled to receive such distribution by a fraction, the numerator of which shall be the current Warrant Price on such record date, less the fair market value (as determined by the Board of Directors of the Company, whose determination shall be conclusive) of the portion of the evidences of indebtedness or assets so to be distributed applicable to one share of Common Stock and the denominator of which shall be such current Warrant Price. Such adjustment shall be made whenever any such distribution is made, and shall become effective on the date of distribution retroactive to the record date for the determination of stockholders entitled to receive such distribution.

- (d) If the Company shall sell and issue shares of Common Stock, or rights, options, warrants or convertible or exchangeable securities containing the right to subscribe for or purchase shares of Common Stock (excluding (i) shares, rights, options, warrants or convertible or exchangeable securities issued in any of the transactions described in Sections 9.1(a), 9.1(b), or 9.1(c) above, (ii) stock options or warrants granted or to be granted to employees or directors of the Company and shares issuable upon exercise of such options or warrants, (iii) the Warrant Shares, (iv) shares issuable upon exercise of rights, options or warrants or conversion or exchange of convertible or exchangeable securities issued or sold under circumstances causing an adjustment pursuant to this Section 9.1 (d), (v) shares issued to stockholders of any corporation that is acquired by, merged into or becomes part of the

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Company or a subsidiary of the Company in an arm's length transaction between the Company and an unaffiliated third party in proportion to their stock holdings of such corporation immediately prior to such merger, upon such merger or (vi) shares issuable upon exercise of rights, options, warrants or conversion or exchange of convertible or exchangeable securities outstanding on the date hereof) at a price per share of Common Stock (determined, in the case of such rights, options, warrants or convertible or exchangeable securities, by dividing (i) the total amount received or receivable by the Company in consideration of the sale and issuance of such rights, options, warrants or convertible or exchangeable securities, plus the total consideration payable to the Company upon exercise or conversion or exchange thereof, by (ii) the total number of shares of Common Stock covered by such rights, warrants or convertible or exchangeable securities, lower than the then current Warrant Price in effect on the date the Company fixes the offering price (or exercise price, option price or conversion price, as the case may be) per share of such Common Stock, then the Warrant Price with respect to this Warrant shall be reduced to a price determined by multiplying the Warrant Price in effect immediately prior thereto by a fraction, the numerator of which shall be an amount equal to the sum of (A) the number of shares of Common Stock outstanding immediately prior to such sale and issuance plus (B) the number of shares of Common Stock that the aggregate consideration received (determined as provided below) for such sale or issuance would purchase at such current Warrant Price per share, and the denominator of which shall be the total number of shares of Common Stock to be outstanding immediately after such sale and issuance. Such adjustment shall be made successively whenever such an issuance is made; however, to the extent that shares of Common Stock are not delivered after the expiration of such rights, options, warrants or convertible or exchangeable securities in accordance with their respective terms, the Warrant Price shall be readjusted (but only with regard to that portion of this Warrant exercised after such expiration) to the Warrant Price that would then be in effect had the adjustment made upon the issuance of such rights, options, warrants or convertible or exchangeable securities been made upon the basis of delivery of only the number of shares of Common Stock actually issued. For the purposes of such adjustments, the shares of Common Stock that the holder of any such rights, options, warrants or convertible or exchangeable securities shall be entitled to subscribe for or purchase shall be deemed to be issued and outstanding as of the date of such sale and issuance and the consideration received by the Company therefor shall be deemed to be the consideration received by the Company for such rights, options, warrants or

convertible or exchangeable securities, plus the consideration or premiums stated in such rights, options, warrants or convertible or exchangeable securities to be paid for the shares of Common Stock covered thereby. In case the Company shall sell and issue shares of Common Stock, or rights, options, warrants or convertible or exchangeable securities containing the right to subscribe for or purchase shares of Common Stock, for a consideration consisting, in whole or in part, of property other than cash or its equivalent, then in determining the "price per share of Common Stock" and the

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"consideration received by the Company" for the purposes of the first sentence of this Section 9.1(d), the Board of Directors shall determine, in its discretion, the fair value of such property, and all such determinations shall be conclusive and binding upon the Holder.

- (e) No adjustment in the Warrant Price shall be required unless such adjustment would require an increase or decrease of at least one percent or more in the Warrant Price or in the number of Warrant Shares purchasable upon exercise of this Warrant; provided, however, that any adjustments that by reason of this Section 9.1 (e) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 9.1 shall be made to the nearest one-tenth of one cent or to the nearest one-hundredth of a share, as the case may be.
- (f) Upon each adjustment of the Warrant Price as a result of the calculations made in Sections 9.1(b), 9.1(c), or 9.1(d) above, this Warrant shall thereafter evidence the right to purchase, at the adjusted Warrant Price, that number of Warrant Shares (calculated to the nearest hundredth) obtained by (i) multiplying the number of shares of Common Stock purchasable upon exercise of this Warrant prior to adjustment by the Warrant Price in effect prior to adjustment of the Warrant Price and (ii) dividing the product so obtained by the Warrant Price in effect after such adjustment of the Warrant Price.
- (g) In case of any capital reorganization of the Company or of any reclassification or change of the shares of Common Stock (other than a reclassification or change of the shares of Common Stock referred to in Section 9.1 (a) above and other than a change in par value, or from par value to no par value, or from no par value to par value,) or in case of the consolidation of the Company with, or the merger of the Company with, or merger of the Company into, any other corporation (other than a reclassification of the shares of Common Stock referred to in Section 9.1(a) above or a consolidation or merger that does not result in any reclassification or change of the outstanding shares of Common Stock) or of the sale of the properties and assets of the Company as, or substantially as, an entirety to any other corporation or entity, this Warrant shall after such capital reorganization, reclassification of shares of Common Stock, consolidation, merger or sale be exercisable, upon the terms and conditions specified in this Warrant, for the number of shares or other securities, assets or cash to which a holder of the number of shares of Common Stock purchasable (at the time of such capital reorganization, reclassification of shares of Common Stock, consolidation, merger or sale) upon exercise of this Warrant would have been entitled upon such capital reorganization, reclassification of shares of Common Stock, consolidation, merger or sale; and in any such case, if necessary, the provisions set forth in this Section 9.1 with respect to the right and interests thereafter of the Holder shall be appropriately adjusted so as to be applicable, as nearly as may reasonably be possible, to any shares or other securities, assets or cash thereafter deliverable on the exercise of this Warrant. The subdivision or combination of shares of

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Common Stock at any time outstanding into a greater or lesser number of shares shall not be deemed to be a reclassification of the shares of Common Stock for the purposes of this Section 9.1(g). The Company shall not effect any such consolidation, merger or sale unless prior to or simultaneously with the consummation thereof, the successor corporation or entity (if other than the Company) resulting from such consolidation or merger, or the corporation or entity purchasing such assets, or

other appropriate corporation or entity shall execute and deliver to the Holder a supplemental agreement to this Warrant, in form reasonable acceptable to the Holder, in which such other entity shall assume the obligation to deliver to the Holder such shares, securities, assets or cash as, in accordance with the foregoing provisions, the Holder may be entitled to purchase and all other obligations under this Warrant, including, but not limited to, similar application of the provisions of this Section 9.1 to any successive reclassifications, changes, consolidations, mergers, sales or transfers.

- (h) If at any time, as a result of an adjustment made pursuant to this Section 9.1, the Holder shall become entitled to purchase any shares or securities of the Company other than the shares of Common Stock, thereafter the number of such other shares or securities so purchasable upon exercise of this Warrant and the Warrant Price for such shares or securities shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the shares of Common Stock contained in Sections 9.1 (a) through 9.1(g), inclusive, above and the provisions of Sections 2, 3, 6, 7, 8 and 10 hereof with respect to the shares of Common Stock shall apply on like terms to any such other shares.
- (i) In any case in which this Section 9.1 shall require that an adjustment in the Warrant Price be made effective as of a record date for a specified event, the Company may elect to defer, until the occurrence of such event, issuing to the Holder of any portion of this Warrant exercised after such record date the shares of Common Stock, if any, issuable upon such exercise over and above the shares of Common Stock, if any, issuable upon such exercise on the basis of the Warrant Price in effect prior to such adjustment; provided, however, that the Company shall deliver as soon as practicable to the Holder a due bill or other appropriate instrument, in form acceptable to the Holder, evidencing the Holder's right to receive such additional shares of Common Stock upon the occurrence of the event requiring such adjustment.

9.2 Voluntary Adjustment by the Company. The Company may at its option, at any time during the term of this Warrant, reduce the then current Warrant Price to any amount deemed appropriate by the Board of Directors of the Company.

9.3 No Adjustment for Dividends. Except as provided in Section 9.1 hereof, no adjustment in respect of any dividends shall be made during the term of this Warrant or upon the exercise of this Warrant.

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9.4 Statement on Warrant. Irrespective of any adjustment in the Warrant Price with respect to this Warrant or the number or kind of shares purchasable upon the exercise of this Warrant, warrants theretofore or thereafter issued may continue to express the same price and number and kind of shares as are stated in this Warrant.

10. Fractional Interest.

The Company shall not be required to issue fractional Warrant Shares on the exercise of this Warrant. If any fraction of a Warrant Share would, except for the provisions of this Section 10, be issuable on the exercise of this Warrant (or specified portion thereof), the Company shall pay an amount in cash equal to the Warrant Price multiplied by such fraction.

11. No Rights as Stockholders; Notice to Holder.

Nothing contained in this Warrant shall be construed as conferring upon the Holder the right to vote or to receive dividends or to consent to or receive notice as a stockholder in respect of any meeting of stockholders for the election of directors of the Company or any other matter, or any rights whatsoever as a stockholder of the Company. If, however, at any time during the Exercise Period:

- (a) the Company shall declare any dividend payable in any securities upon shares of Common Stock or make any distribution (other than a cash dividend or a dividend payable in additional shares of Common Stock) to the holder of shares of Common Stock;
- (b) the Company shall offer to the holder of shares of Common Stock any additional shares of Common Stock or securities convertible into shares of Common Stock or any right to subscribe to shares of

Common Stock or securities convertible or exchangeable into shares of Common Stock; or

- (c) a dissolution, liquidation or winding up of the Company (other than in connection with a consolidation, merger or sale of all or substantially all of its property, assets and business as an entirety) shall be proposed;

then in any one or more of such events, the Company shall give notice in writing of such event to the Holder as provided in Section 12 hereof at least 10 days prior to the date fixed as a record date or the date of closing the transfer books for the determination of the stockholders entitled to such dividend, distribution or subscription rights, or for the determination of stockholders entitled to vote on such proposed dissolution, liquidation or winding up. Such notice shall specify such record date or date of the closing of the transfer books, as the case may be. Failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of any action taken in connection with such dividend, distribution or subscription rights, or proposed dissolution, liquidation or winding up.

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12. Notices.

All notices, requests, consents and other communication hereunder shall be in writing and shall be deemed to have been made when delivered or mailed first class, postage prepaid, or delivered to the telegraph office:

- (i) if to the Holder at:

William E. Pritchard, III
6465 Overton Street
Baton Rouge, Louisiana 70808

- (ii) if to the Company at:

4600 Post Oak Place, Suite 309
Houston, Texas 77027
Attention: Corporate Secretary

or to such other address or addresses as the Holder or the Company may designate from time to time for itself by a notice pursuant hereto.

13. Successors

All the covenants and provisions of this Warrant by or for the benefit of the Company or the Holder shall bind and inure to the benefit of their respective successors and assigns hereunder.

14. Applicable Law

This Warrant shall be governed by and construed in accordance with the laws of the State of Texas.

15. Benefits of Warrant.

Nothing in this Warrant shall give or be construed to give any person or corporation other than the Company and the Holder any legal or equitable right, remedy or claim under this Warrant. This Warrant shall be for the sole and exclusive benefit of the Company and the Holder.

16. Captions

The captions of the sections of this Warrant have been inserted for convenience only and shall have no substantive effect.

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IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed as of this _____ day of _____, but effective as of September 1, 1996.

VAALCO Energy, Inc.

By: _____
CHARLES W. ALCORN, JR.
CHAIRMAN AND CEO

ATTEST:

GAYLA M. CUTRER
SECRETARY

AGREED AND ACCEPTED

WILLIAM E. PRITCHARD, III

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Exhibit A

ELECTION FORM

To be Executed by the Registered Holder
To Exercise Warrant

VAALCO ENERGY, INC.

The undersigned registered holder hereby exercises the right to purchase _____ shares of common stock covered by this Warrant according to the conditions thereof and herewith makes payment of the Warrant Price of such shares in full. By the execution and delivery hereof, the undersigned represents and warrants that the common stock being acquired hereby is being acquired by the undersigned for its own account and not with a view to, or for resale in connection with, any distribution thereof.

WILLIAM E. PRITCHARD, III

Dated: _____.

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No. W-006 For the Purchase of 250,000 Shares

This Warrant has not been registered under the Securities Act of 1933 or the laws of any state and may not be transferred in the absence of (a) an effective registration statement for this Warrant under the Securities Act of 1933 and applicable state laws or (b) an opinion of counsel satisfactory to the Company that such registration is not required. This Warrant is subject to other limitations on transfer.

FORM OF STOCK PURCHASE WARRANT TO PURCHASE
SHARES OF COMMON STOCK OF VAALCO ENERGY, INC.

This certifies that for value received, William E. Pritchard, III, or registered assigns (the "Holder"), is entitled, subject to the terms and conditions of this Warrant, at anytime or from time to time during the Exercise Period (as hereinafter defined), to purchase up to 250,000 shares of common stock, \$0.10 par value ("Common Stock"), of VAALCO Energy, Inc. a Delaware corporation (the "Company") (the shares of Common Stock issuable upon exercise of this Warrant being referred to herein as the "Warrant Shares"). This Warrant is issued in conjunction with the Employment Agreement, dated effective September 1, 1996, between the Holder and the Company.

1. Form of Election.

The form of election to purchase shares of Common Stock (the "Form of Election") shall be substantially as set forth in Exhibit A attached hereto. The price per Warrant Share and the number of Warrant Shares issuable upon exercise of this Warrant are subject to adjustment upon the occurrence of certain events, all as hereinafter provided.

2. Exercise Period; Exercise of Warrant.

2.1 Exercise Period. Subject to the terms of this Warrant, the Holder shall have the right, which may be exercised at any time or from time to time during the Exercise Period, to purchase from the Company the number of fully paid and nonassessable Warrant Shares this Warrant at the time represents the right to purchase, and, in the event that this Warrant is exercised in respect of fewer than all of the Warrant Shares purchasable on such exercise, a new warrant evidencing the remaining Warrant Shares that may be purchased shall be signed, issued and delivered by the Company to the Holder pursuant to the provisions of this Section 2. The term "Exercise Period" shall mean the period commencing on the effective date hereof and terminating at 5:00 p.m., Houston, Texas time, on September 1, 2001.

2.2 Exercise of Warrant. This Warrant may be exercised upon surrender to the Company at its principal office of this Warrant, together with Form of Election duly completed and signed, and upon payment to the Company of the Warrant Price (as defined in and determined in accordance with the provisions of Sections 3 and 9 hereof) for the number of Warrant Shares in respect of which this Warrant is then exercised. Payment of the aggregate Warrant Price with respect to the portion of this Warrant being exercised shall be made in cash, or by certified or official bank check, payable to the order of the Company.

Subject to Section 6 hereof, upon the surrender of this Warrant and payment of the Warrant Price as set forth above, the Company shall issue and cause to be delivered to the Holder or, upon the written order of the Holder and subject to

Section 5 hereof, to and in such name or names as the Holder may designate, a certificate or certificates for the number of full Warrant Shares so purchased upon the exercise of this Warrant together with cash in respect of any fractional Warrant Share otherwise issuable upon such surrender as provided in Section 10 hereof. Such certificate or certificates shall be deemed to have been issued and any person so designated to be named therein shall be deemed to have become a holder of record of such Warrant Shares as of the date of the surrender of this Warrant and payment of the Warrant Price, as aforesaid.

3. Warrant Price.

The price per share at which Warrant Shares shall be purchasable upon exercise of this Warrant initially shall be \$7.50 and shall be subject to adjustment pursuant to Section 9 hereof (such price as so adjusted is referred to herein as the "Warrant Price").

4. Exchange of Warrant.

In connection with a permitted transfer in accordance with Section 5 hereof, this Warrant may be exchanged at the option of the Holder thereof when surrendered at the principal office of the Company for another warrant, or other warrants of different denominations, of like tenor and representing in the aggregate the right to purchase a like number of Warrant Shares as this Warrant then entitles such Holder to purchase. Any Holder desiring to exchange this Warrant shall make such request in writing delivered to the Company, and shall surrender this Warrant. Thereupon the Company shall sign and deliver to the person entitled thereto a new warrant or warrants, as the case may be, as so requested.

5. No Registration of Warrant; Restriction on Transfer.

This Warrant may not be transferred to any person other than a person who controls or is controlled by or is under common control with the Holder, unless the Company consents in writing to such transfer, and any such transfer shall be subject to all restrictions contained in this Section 5. "Control" and any such transfer means the power to direct or cause the direction of the management and policies of such person whether by voting control, contract or otherwise. Prior to any such permitted transfer, the Holder will cause the transferee to execute and deliver to the Company an instrument, in form and substance satisfactory to the Company, binding such transferee to the terms and conditions of this Warrant.

This Warrant and the Warrant Shares have not been registered under the Securities Act of 1933, as amended (the "Act"), or any applicable state securities laws. The Holder, by acceptance hereof, agrees that this Warrant has been, and upon exercise hereof any Warrant Shares will be, acquired for investment and not with a view to distribution or resale and, in addition to other restrictions on transfer contained herein, may not be transferred without an effective registration statement for this Warrant or the Warrant Shares under the Act and applicable state securities laws or an opinion of counsel satisfactory to the Company that registration is not required thereunder. Unless registered, any Warrant Shares shall bear the following legend:

The securities represented by this certificate have not been registered under the Securities Act of 1933 or the laws of any state and may not be

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transferred in the absence of (a) an effective registration statement for the securities under the Securities Act of 1933 and applicable state laws or (b) an opinion of counsel satisfactory to the Company that such registration is not required. The securities represented by this certificate are also subject to certain other restrictions on transfer pursuant to the terms of that certain Stock Purchase Warrant to Purchase Shares of Common Stock of VAALCO Energy, Inc. (No. W-003), dated effective September 1, 1996. Copies of such agreement may be obtained upon written request to the Secretary of the Company.

The Holder has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the investment involved in the purchase of the Warrant. The Holder has been advised by the Company (i) of the applicable limitations upon the resale of the Warrant and the Warrant Shares, including the restrictions on transfer contained in this Section 5, (ii) that the Warrant is not and the Warrant Shares are not registered under the Act and must be held indefinitely unless the Warrant or the Warrant Shares, as the case may be, are subsequently registered under the Act or an exemption from registration is available, (iii) that any routine sale of the Warrant or the Warrant Shares made in reliance upon Rule 144 as promulgated under the Act ("Rule 144") can be made only after the Warrant or the Warrant Shares, as the case may be, have been held at least two years and only in limited amounts in accordance with the terms and conditions of Rule 144 and at times when Rule 144 is available, and (iv) that the availability of Rule 144 for sales of the Warrant or the Warrant Shares is dependent, among other factors, on matters not within the control of the Holder. The Holder represents that it is fully familiar with the circumstances under which it is required to hold the Warrant and the Warrant Shares and the limitations upon the transfer or the disposition thereof. The Holder acknowledges that the Company is relying upon the truth and accuracy of the foregoing representations and warranties in issuing the Warrant to the Holder.

The Holder understands that the transfer agent for the Common Stock will be instructed to place a stop transfer notation in the stock records in respect of any certificates issued by the Company representing the Warrant Shares, and the Holder consents and agrees to the placing of

such stop transfer order.

The Holder represents that it is familiar with the business and financial condition of the Company and acknowledges that it has been afforded the opportunity to obtain any additional information, including the opportunity to ask questions of and receive answers, from officers and representatives of the Company. The Holder acknowledges that it has requested and received all information regarding the Company that the Holder deems relevant to its investigation of the Company, including but not limited to certain reports filed by the Company with the Securities and Exchange Commission, and has made such inspections of the Company and its facilities and records, and has consulted with the Company's officers, employees, attorneys and agents for the purpose of determining the accuracy of the representations and warranties and the compliance with the covenants made herein by the Company to the extent it deems appropriate.

The Company shall not be required to register this Warrant or the Warrant Shares under the Act or under any state laws.

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6. Payment of Taxes.

The Company will pay when due and payable any and all U.S. federal and state transfer taxes and charges that may be payable in respect of the issuance or delivery to the Holder of this Warrant or of any Warrant Shares upon the exercise of this Warrant. The Company shall not, however, be required to pay any transfer tax that may be payable in respect of any transfer involved in the transfer or delivery of this Warrant or the issuance or delivery of certificates for Warrant Shares in the name other than that of the Holder or to issue or deliver any certificates for Warrant Shares upon the exercise of this Warrant until such tax shall have been paid (any such tax being payable by the Holder at the time of surrender) or until it has been established to the Company's satisfaction that no such tax is due.

7. Mutilated or Missing Warrant

In case this Warrant shall be mutilated, lost, stolen or destroyed, the Company may, in its discretion, execute, issue and deliver in exchange and substitution for and upon cancellation of the mutilated Warrant, or in lieu of and substitution for the Warrant lost, stolen or destroyed, a new warrant of like tenor and representing an equivalent right or interest; but only upon receipt of evidence satisfactory to the Company of such loss, theft or destruction of this Warrant and indemnity, if requested, satisfactory to the Company. The Holder requesting such a substitute warrant shall also comply with such other reasonable regulations and pay such other reasonable charges as the Company may prescribe.

8. Reservation of Warrant Shares; Purchase of Warrant by the Company.

8.1 Reservation of Warrant Shares. The Company shall at all times reserve for issuance from its authorized and unissued shares of Common Stock (i) the number of shares of Common Stock needed for issuance upon the exercise of this Warrant plus (ii) the number of shares of Common Stock required to be reserved for all other purposes. The Company covenants that all shares of Common Stock issuable as herein provided shall, when so issued, be duly and validly issued, fully paid and nonassessable, and free from all taxes, liens and charges with respect thereto.

8.2 Purchase of Warrant by the Company. The Company shall not be prohibited, except as limited by law or any other agreement, from offering to purchase, purchasing or otherwise acquiring this Warrant from any holder thereof at such times, in such manner and for such consideration as the Company and such holder may agree to.

8.3 Cancellation of Purchased or Acquired Warrant If the Company shall purchase or otherwise acquire this Warrant, the same shall thereupon be canceled and retired.

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9. Adjustment of Warrant Price and Number of Warrant Shares.

The number and kind of securities purchasable upon the exercise of this Warrant and the Warrant Price shall be subject to adjustment from time to time upon the happening of certain events, as hereinafter defined.

9.1 Mechanical Adjustments. The number of Warrant Shares purchasable upon the exercise of this Warrant and the Warrant Price shall be subject

to adjustment as follows:

- (a) If the Company shall at any time after the date of this Warrant
- (i) pay a dividend in shares of Common Stock or make a distribution in shares of Common Stock, (ii) subdivide its outstanding shares of Common Stock, (iii) combine its outstanding shares, of Common Stock into a smaller number of shares of Common Stock or (iv) issue by reclassification of its shares of Common Stock other securities of the Company (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing corporation), then the number of Warrant Shares purchasable upon exercise of this Warrant immediately prior thereto shall be adjusted so that the Holder shall be entitled to receive the kind and number of Warrant Shares or other securities of the Company that the Holder would have owned or have been entitled to receive after the happening of any of the events described above, had this Warrant been exercised immediately prior to the happening of such event or any record date with respect thereto. An adjustment made pursuant to this Section 9.1 (a) shall become effective immediately after the effective date of such event retroactive to the record date, if any, for such event.
- (b) If the Company shall issue rights, options or warrants to all holders of its outstanding shares of Common Stock, entitling them (for a period expiring within 45 days after the record date for the determination of stockholders entitled to receive such rights, options or warrants) to subscribe for or purchase shares of Common Stock (or securities exchangeable for or convertible into shares of Common Stock) at a price per share of Common Stock (or having an exchange or conversion price per share of Common Stock, with respect to a security exchangeable for or convertible into shares of Common Stock) that is less than the current Warrant Price on such record date, then the Warrant Price shall be adjusted by multiplying the Warrant Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding on such record date plus the number of shares of Common Stock that the aggregate offering price of the total number of shares of Common Stock so to be offered (or the aggregate initial exchange or conversion price of the exchangeable or convertible securities so to be offered) would purchase at such current Warrant Price on such record date and the denominator of which shall be the number of shares of Common Stock outstanding on such record date plus the number of additional shares of Common Stock to be offered for subscription or purchase (or into which the exchangeable or convertible securities so to be offered are initially exchangeable or convertible). Such adjustment shall become effective at the close of business on such record date; however, to the extent that shares of Common Stock (or securities exchangeable for or convertible into shares of Common Stock)

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are not delivered after the expiration of such rights, options or warrants in accordance with their respective terms, the Warrant Price shall be readjusted (but only with regard to that portion of this Warrant exercised after such expiration) to the Warrant Price that would then be in effect had the adjustment made upon the issuance of such rights, options or warrants been made upon the basis of delivery of only the number of shares of Common Stock (or securities exchangeable for or convertible into shares of Common Stock) actually issued. In case any subscription price may be paid in a consideration part or all of which shall be in a form other than cash, the value of such consideration shall be as determined by the Board of Directors of the Company, whose determination shall be conclusive. Shares of Common Stock owned by or held for the account of the Company shall be deemed outstanding of the purpose of any such computation.

- (c) If the Company shall distribute to all holders of shares of Common Stock (including any such distribution made in connection with a consolidation or merger in which the Company is the surviving corporation) evidences of its indebtedness or assets (other than cash dividends and distributions payable out of consolidated retained earnings and dividends or distributions payable in shares of stock as described in Section 9.1(a) above), or rights, options, warrants or exchangeable or convertible securities containing the right to subscribe for or purchase shares of Common Stock (excluding

those expiring within 45 days after the record date mentioned in Section 9.1(b) above), then in each case the Warrant Price shall be adjusted by multiplying the Warrant Price in effect immediately prior to the record date for the determination of stockholders entitled to receive such distribution by a fraction, the numerator of which shall be the current Warrant Price on such record date, less the fair market value (as determined by the Board of Directors of the Company, whose determination shall be conclusive) of the portion of the evidences of indebtedness or assets so to be distributed applicable to one share of Common Stock and the denominator of which shall be such current Warrant Price. Such adjustment shall be made whenever any such distribution is made, and shall become effective on the date of distribution retroactive to the record date for the determination of stockholders entitled to receive such distribution.

- (d) If the Company shall sell and issue shares of Common Stock, or rights, options, warrants or convertible or exchangeable securities containing the right to subscribe for or purchase shares of Common Stock (excluding (i) shares, rights, options, warrants or convertible or exchangeable securities issued in any of the transactions described in Sections 9.1(a), 9.1(b), or 9.1(c) above, (ii) stock options or warrants granted or to be granted to employees or directors of the Company and shares issuable upon exercise of such options or warrants, (iii) the Warrant Shares, (iv) shares issuable upon exercise of rights, options or warrants or conversion or exchange of convertible or exchangeable securities issued or sold under circumstances causing an adjustment pursuant to this Section 9.1 (d), (v) shares issued to stockholders of any corporation that is acquired by, merged into or becomes part of the

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Company or a subsidiary of the Company in an arm's length transaction between the Company and an unaffiliated third party in proportion to their stock holdings of such corporation immediately prior to such merger, upon such merger or (vi) shares issuable upon exercise of rights, options, warrants or conversion or exchange of convertible or exchangeable securities outstanding on the date hereof) at a price per share of Common Stock (determined, in the case of such rights, options, warrants or convertible or exchangeable securities, by dividing (i) the total amount received or receivable by the Company in consideration of the sale and issuance of such rights, options, warrants or convertible or exchangeable securities, plus the total consideration payable to the Company upon exercise or conversion or exchange thereof, by (ii) the total number of shares of Common Stock covered by such rights, warrants or convertible or exchangeable securities, lower than the then current Warrant Price in effect on the date the Company fixes the offering price (or exercise price, option price or conversion price, as the case may be) per share of such Common Stock, then the Warrant Price with respect to this Warrant shall be reduced to a price determined by multiplying the Warrant Price in effect immediately prior thereto by a fraction, the numerator of which shall be an amount equal to the sum of (A) the number of shares of Common Stock outstanding immediately prior to such sale and issuance plus (B) the number of shares of Common Stock that the aggregate consideration received (determined as provided below) for such sale or issuance would purchase at such current Warrant Price per share, and the denominator of which shall be the total number of shares of Common Stock to be outstanding immediately after such sale and issuance. Such adjustment shall be made successively whenever such an issuance is made; however, to the extent that shares of Common Stock are not delivered after the expiration of such rights, options, warrants or convertible or exchangeable securities in accordance with their respective terms, the Warrant Price shall be readjusted (but only with regard to that portion of this Warrant exercised after such expiration) to the Warrant Price that would then be in effect had the adjustment made upon the issuance of such rights, options, warrants or convertible or exchangeable securities been made upon the basis of delivery of only the number of shares of Common Stock actually issued. For the purposes of such adjustments, the shares of Common Stock that the holder of any such rights, options, warrants or convertible or exchangeable securities shall be entitled to subscribe for or purchase shall be deemed to be issued and outstanding as of the date of such sale and issuance and the consideration received by the Company therefor shall be deemed to be the consideration received by the Company for such rights, options, warrants or

convertible or exchangeable securities, plus the consideration or premiums stated in such rights, options, warrants or convertible or exchangeable securities to be paid for the shares of Common Stock covered thereby. In case the Company shall sell and issue shares of Common Stock, or rights, options, warrants or convertible or exchangeable securities containing the right to subscribe for or purchase shares of Common Stock, for a consideration consisting, in whole or in part, of property other than cash or its equivalent, then in determining the "price per share of Common Stock" and the

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"consideration received by the Company" for the purposes of the first sentence of this Section 9.1(d), the Board of Directors shall determine, in its discretion, the fair value of such property, and all such determinations shall be conclusive and binding upon the Holder.

- (e) No adjustment in the Warrant Price shall be required unless such adjustment would require an increase or decrease of at least one percent or more in the Warrant Price or in the number of Warrant Shares purchasable upon exercise of this Warrant; provided, however, that any adjustments that by reason of this Section 9.1 (e) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 9.1 shall be made to the nearest one-tenth of one cent or to the nearest one-hundredth of a share, as the case may be.
- (f) Upon each adjustment of the Warrant Price as a result of the calculations made in Sections 9.1(b), 9.1(c), or 9.1(d) above, this Warrant shall thereafter evidence the right to purchase, at the adjusted Warrant Price, that number of Warrant Shares (calculated to the nearest hundredth) obtained by (i) multiplying the number of shares of Common Stock purchasable upon exercise of this Warrant prior to adjustment by the Warrant Price in effect prior to adjustment of the Warrant Price and (ii) dividing the product so obtained by the Warrant Price in effect after such adjustment of the Warrant Price.
- (g) In case of any capital reorganization of the Company or of any reclassification or change of the shares of Common Stock (other than a reclassification or change of the shares of Common Stock referred to in Section 9.1 (a) above and other than a change in par value, or from par value to no par value, or from no par value to par value,) or in case of the consolidation of the Company with, or the merger of the Company with, or merger of the Company into, any other corporation (other than a reclassification of the shares of Common Stock referred to in Section 9.1(a) above or a consolidation or merger that does not result in any reclassification or change of the outstanding shares of Common Stock) or of the sale of the properties and assets of the Company as, or substantially as, an entirety to any other corporation or entity, this Warrant shall after such capital reorganization, reclassification of shares of Common Stock, consolidation, merger or sale be exercisable, upon the terms and conditions specified in this Warrant, for the number of shares or other securities, assets or cash to which a holder of the number of shares of Common Stock purchasable (at the time of such capital reorganization, reclassification of shares of Common Stock, consolidation, merger or sale) upon exercise of this Warrant would have been entitled upon such capital reorganization, reclassification of shares of Common Stock, consolidation, merger or sale; and in any such case, if necessary, the provisions set forth in this Section 9.1 with respect to the right and interests thereafter of the Holder shall be appropriately adjusted so as to be applicable, as nearly as may reasonably be possible, to any shares or other securities, assets or cash thereafter deliverable on the exercise of this Warrant. The subdivision or combination of shares of

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Common Stock at any time outstanding into a greater or lesser number of shares shall not be deemed to be a reclassification of the shares of Common Stock for the purposes of this Section 9.1(g). The Company shall not effect any such consolidation, merger or sale unless prior to or simultaneously with the consummation thereof, the successor corporation or entity (if other than the Company) resulting from such consolidation or merger, or the corporation or entity purchasing such assets, or

other appropriate corporation or entity shall execute and deliver to the Holder a supplemental agreement to this Warrant, in form reasonable acceptable to the Holder, in which such other entity shall assume the obligation to deliver to the Holder such shares, securities, assets or cash as, in accordance with the foregoing provisions, the Holder may be entitled to purchase and all other obligations under this Warrant, including, but not limited to, similar application of the provisions of this Section 9.1 to any successive reclassifications, changes, consolidations, mergers, sales or transfers.

- (h) If at any time, as a result of an adjustment made pursuant to this Section 9.1, the Holder shall become entitled to purchase any shares or securities of the Company other than the shares of Common Stock, thereafter the number of such other shares or securities so purchasable upon exercise of this Warrant and the Warrant Price for such shares or securities shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the shares of Common Stock contained in Sections 9.1 (a) through 9.1(g), inclusive, above and the provisions of Sections 2, 3, 6, 7, 8 and 10 hereof with respect to the shares of Common Stock shall apply on like terms to any such other shares.
- (i) In any case in which this Section 9.1 shall require that an adjustment in the Warrant Price be made effective as of a record date for a specified event, the Company may elect to defer, until the occurrence of such event, issuing to the Holder of any portion of this Warrant exercised after such record date the shares of Common Stock, if any, issuable upon such exercise over and above the shares of Common Stock, if any, issuable upon such exercise on the basis of the Warrant Price in effect prior to such adjustment; provided, however, that the Company shall deliver as soon as practicable to the Holder a due bill or other appropriate instrument, in form acceptable to the Holder, evidencing the Holder's right to receive such additional shares of Common Stock upon the occurrence of the event requiring such adjustment.

9.2 Voluntary Adjustment by the Company. The Company may at its option, at any time during the term of this Warrant, reduce the then current Warrant Price to any amount deemed appropriate by the Board of Directors of the Company.

9.3 No Adjustment for Dividends. Except as provided in Section 9.1 hereof, no adjustment in respect of any dividends shall be made during the term of this Warrant or upon the exercise of this Warrant.

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9.4 Statement on Warrant. Irrespective of any adjustment in the Warrant Price with respect to this Warrant or the number or kind of shares purchasable upon the exercise of this Warrant, warrants theretofore or thereafter issued may continue to express the same price and number and kind of shares as are stated in this Warrant.

10. Fractional Interest.

The Company shall not be required to issue fractional Warrant Shares on the exercise of this Warrant. If any fraction of a Warrant Share would, except for the provisions of this Section 10, be issuable on the exercise of this Warrant (or specified portion thereof), the Company shall pay an amount in cash equal to the Warrant Price multiplied by such fraction.

11. No Rights as Stockholders; Notice to Holder.

Nothing contained in this Warrant shall be construed as conferring upon the Holder the right to vote or to receive dividends or to consent to or receive notice as a stockholder in respect of any meeting of stockholders for the election of directors of the Company or any other matter, or any rights whatsoever as a stockholder of the Company. If, however, at any time during the Exercise Period:

- (a) the Company shall declare any dividend payable in any securities upon shares of Common Stock or make any distribution (other than a cash dividend or a dividend payable in additional shares of Common Stock) to the holder of shares of Common Stock;
- (b) the Company shall offer to the holder of shares of Common Stock any additional shares of Common Stock or securities convertible into shares of Common Stock or any right to subscribe to shares of

Common Stock or securities convertible or exchangeable into shares of Common Stock; or

- (c) a dissolution, liquidation or winding up of the Company (other than in connection with a consolidation, merger or sale of all or substantially all of its property, assets and business as an entirety) shall be proposed;

then in any one or more of such events, the Company shall give notice in writing of such event to the Holder as provided in Section 12 hereof at least 10 days prior to the date fixed as a record date or the date of closing the transfer books for the determination of the stockholders entitled to such dividend, distribution or subscription rights, or for the determination of stockholders entitled to vote on such proposed dissolution, liquidation or winding up. Such notice shall specify such record date or date of the closing of the transfer books, as the case may be. Failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of any action taken in connection with such dividend, distribution or subscription rights, or proposed dissolution, liquidation or winding up.

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12. Notices.

All notices, requests, consents and other communication hereunder shall be in writing and shall be deemed to have been made when delivered or mailed first class, postage prepaid, or delivered to the telegraph office:

- (i) if to the Holder at:

William E. Pritchard, III
6465 Overton Street
Baton Rouge, Louisiana 70808

- (ii) if to the Company at:

4600 Post Oak Place, Suite 309
Houston, Texas 77027
Attention: Corporate Secretary

or to such other address or addresses as the Holder or the Company may designate from time to time for itself by a notice pursuant hereto.

13. Successors

All the covenants and provisions of this Warrant by or for the benefit of the Company or the Holder shall bind and inure to the benefit of their respective successors and assigns hereunder.

14. Applicable Law

This Warrant shall be governed by and construed in accordance with the laws of the State of Texas.

15. Benefits of Warrant.

Nothing in this Warrant shall give or be construed to give any person or corporation other than the Company and the Holder any legal or equitable right, remedy or claim under this Warrant. This Warrant shall be for the sole and exclusive benefit of the Company and the Holder.

16. Captions

The captions of the sections of this Warrant have been inserted for convenience only and shall have no substantive effect.

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IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed as of this _____ day of _____, but effective as of September 1, 1996.

VAALCO Energy, Inc.

By: _____
CHARLES W. ALCORN, JR.
CHAIRMAN AND CEO

ATTEST:

GAYLA M. CUTRER
SECRETARY

AGREED AND ACCEPTED

WILLIAM E. PRITCHARD, III

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Exhibit A

ELECTION FORM

To be Executed by the Registered Holder
To Exercise Warrant

VAALCO ENERGY, INC.

The undersigned registered holder hereby exercises the right to purchase _____ shares of common stock covered by this Warrant according to the conditions thereof and herewith makes payment of the Warrant Price of such shares in full. By the execution and delivery hereof, the undersigned represents and warrants that the common stock being acquired hereby is being acquired by the undersigned for its own account and not with a view to, or for resale in connection with, any distribution thereof.

WILLIAM E. PRITCHARD, III

Dated: _____.

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VAALCO Energy, Inc.
4600 Post Oak Place, Suite 309
Houston, Texas 77027
Tel: (713) 623-0801
Fax: (713) 623-0982

July 30, 1998

William E. Pritchard
c/o Mr. John W. Menke
Boyer, Ewing & Harris Incorporated
Nine Greenway Plaza, Suite 3100
Houston, Texas 77048

Re: Stock Purchase Warrants

Dear Bill:

In connection with certain stock purchase warrants ("Warrants") issued to you, effective as of September 1, 1996, to purchase up to 1 million shares of common stock ("Common Stock") of VAALCO Energy, Inc. (the "Company"), set forth below is a summary of certain proposed changes to be made to the terms of the Warrants (such Warrants being represented by Warrant Certificates No. W-003, No. W-004, No. W-005 and No. W-006). Subject to your agreement to the terms set forth below, the Common Stock issuable upon exercise of the Warrants will be included in the Company's Registration Statement on Form S-3 (Reg. No. 333-59095), the final version of which will be filed with the Securities and Exchange Commission on July 29, 1998. Capitalized terms used below are as defined in the Warrants.

1. The Exercise Period for the Warrants shall be extended to 5:00 p.m., Houston, Texas time, on September 1, 2003.
2. Holder cannot sell into the public market more than 50,000 shares of Common Stock per calendar quarter on a cumulative basis such that if and to the extent Holder sells less than 50,000 shares of Common Stock in any calendar quarter, the number of shares Holder may sell in any subsequent quarter shall be increased by such amount (subject to decrease in the event Holder sells more than 50,000 shares in any calendar quarter).
3. Holder agrees not to effect any sale or distribution of the Common Stock issuable upon exercise of the Warrants if and to the extent that management of the Company agrees, pursuant to an underwriting agreement or otherwise, not to effect any sale or distribution of Common Stock.
4. Commencing two years from the date hereof until the Warrants expire or are otherwise terminated, upon the written request of Holder, the Company shall effect the registration of the Common Stock issuable upon exercise of the Warrants ("Demand Registration").

William E. Pritchard
c/o Mr. John W. Menke
July 30, 1998
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All expenses of the Demand Registration shall be payable by Holder subject to a limit of \$25,000. The Company shall only be required to provide one effective Demand Registration. Such Demand Registration shall be subject to standard hold-back rights of the Company in the event that the Company determines in its sole discretion that the Demand Registration would interfere with or require public disclosure of certain transactions undertaken or affecting the Company or any of its subsidiaries.

5. If the Company proposes to file a registration statement with respect to certain offerings of any class of equity security for each, Holder shall be permitted to include shares of Common Stock issuable upon exercise of the Warrants in such registration statement provided that the Company or any underwriter, in their sole discretion, shall have the right to reduce the number of shares of Common Stock offered for the account of Holder if, because of the size of the offering, the inclusion of such shares might reasonably be expected to jeopardize the success of the offering.
6. The provisions of Section 9.1(d) of each Warrant shall be deleted and of no effect on either a retroactive or going-forward basis. The Warrant Price shall be the Warrant Price originally set forth in Section 3 of each Warrant subject, on a going-forward basis from the date of this letter agreement, to the effect of the remaining anti-dilution provisions contained therein.

7. The provisions of Section 5 of the Warrant shall be deleted so that Holder may transfer the Warrants and his corresponding registration rights without the Company's consent.

If the above terms are acceptable to you, please sign and date in the spaces provided below and return this letter to the undersigned by fax at (713) 623-0982.

Very truly yours,

/s/ Robert L. Gerry III

Robert L. Gerry III

ACCEPTED and AGREED this
31st day of July, 1998

/s/ William E. Pritchard III

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William E. Pritchard III