

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

**SCHEDULE 13D**

(Rule 13d-101)

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT  
TO § 240.13d-1(a) AND AMENDMENTS THERETO FILED PURSUANT TO  
§ 240.13d-2(a)

(Amendment No. )<sup>1</sup>

VAALCO Energy, Inc.  
(Name of Issuer)

Common Stock, \$0.10 par value  
(Title of Class of Securities)

91851C201  
(CUSIP Number)

STEVEN WOLOSKY, ESQ.  
OLSHAN GRUNDMAN FROME ROSENZWEIG & WOLOSKY LLP  
Park Avenue Tower  
65 East 55th Street  
New York, New York 10022  
(212) 451-2300

(Name, Address and Telephone Number of Person  
Authorized to Receive Notices and Communications)

March 3, 2008  
(Date of Event Which Requires Filing of This Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§ 240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box .

*Note:* Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See § 240.13d-7 for other parties to whom copies are to be sent.

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<sup>1</sup> The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the *Notes*).

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1	NAME OF REPORTING PERSON  NANES DELORME PARTNERS I LP	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="checkbox"/> (b) <input type="checkbox"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS  WC	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e) <input type="checkbox"/>	
6	CITIZENSHIP OR PLACE OF ORGANIZATION  DELAWARE	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER  4,700,000
	8	SHARED VOTING POWER  - 0 -
	9	SOLE DISPOSITIVE POWER  4,700,000
	10	SHARED DISPOSITIVE POWER  - 0 -
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  4,700,000	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)  8.0%	
14	TYPE OF REPORTING PERSON  PN	

1	NAME OF REPORTING PERSON  NANES BALKANY PARTNERS LLC	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="checkbox"/> (b) <input type="checkbox"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS  AF	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e) <input type="checkbox"/>	
6	CITIZENSHIP OR PLACE OF ORGANIZATION  DELAWARE	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER  4,700,000
	8	SHARED VOTING POWER  - 0 -
	9	SOLE DISPOSITIVE POWER  4,700,000
	10	SHARED DISPOSITIVE POWER  - 0 -
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  4,700,000	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)  8.0%	
14	TYPE OF REPORTING PERSON  OO	

1	NAME OF REPORTING PERSON  NANES BALKANY MANAGEMENT LLC	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="checkbox"/> (b) <input type="checkbox"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS  AF	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e) <input type="checkbox"/>	
6	CITIZENSHIP OR PLACE OF ORGANIZATION  DELAWARE	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER  4,700,000
	8	SHARED VOTING POWER  - 0 -
	9	SOLE DISPOSITIVE POWER  4,700,000
	10	SHARED DISPOSITIVE POWER  - 0 -
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  4,700,000	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)  8.0%	
14	TYPE OF REPORTING PERSON  OO	

1	NAME OF REPORTING PERSON  JULIEN BALKANY	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="checkbox"/> (b) <input type="checkbox"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS  AF	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) <input type="checkbox"/> OR 2(e)	
6	CITIZENSHIP OR PLACE OF ORGANIZATION  FRANCE	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER  4,700,000
	8	SHARED VOTING POWER  - 0 -
	9	SOLE DISPOSITIVE POWER  4,700,000
	10	SHARED DISPOSITIVE POWER  - 0 -
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  4,700,000	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)  8.0%	
14	TYPE OF REPORTING PERSON  IN	

1	NAME OF REPORTING PERSON  DARYL NANES	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="checkbox"/> (b) <input type="checkbox"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS  AF	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) <input type="checkbox"/> OR 2(e)	
6	CITIZENSHIP OR PLACE OF ORGANIZATION  USA	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER  4,700,000
	8	SHARED VOTING POWER  - 0 -
	9	SOLE DISPOSITIVE POWER  4,700,000
	10	SHARED DISPOSITIVE POWER  - 0 -
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  4,700,000	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)  8.0%	
14	TYPE OF REPORTING PERSON  IN	

The following constitutes the Schedule 13D filed by the undersigned (the "Schedule 13D").

Item 1. Security and Issuer.

This statement relates to Common Stock, par value \$0.10 per share (the "Shares"), of VAALCO Energy, Inc., a Delaware corporation (the "Issuer"). The address of the principal executive offices of the Issuer is 4600 Post Oak Place, Suite 309, Houston, Texas 77027.

Item 2. Identity and Background.

(a) This statement is filed by Nanes Delorme Partners I LP, a Delaware limited partnership ("Nanes Delorme Partners"), Nanes Balkany Partners LLC, a Delaware limited liability company ("Nanes Balkany Partners"), Nanes Balkany Management LLC, a Delaware limited liability company ("Nanes Balkany Management"), Julien Balkany and Daryl Nanes. Each of the foregoing is referred to as a "Reporting Person" and collectively as the "Reporting Persons." Each of the Reporting Persons is party to that certain Joint Filing Agreement as further described in Item 6.

Nanes Balkany Partners is the general partner of Nanes Delorme Partners. Nanes Balkany Management is the investment manager of Nanes Delorme Partners. The managing members of Nanes Balkany Partners and Nanes Balkany Management are Julien Balkany and Daryl Nanes. By virtue of their positions with Nanes Balkany Partners and Nanes Balkany Management, Messrs. Balkany and Nanes have the sole power to vote and dispose of the Issuer's Shares owned by Nanes Delorme Partners. Accordingly, the Reporting Persons are hereby filing a joint Schedule 13D.

(b) The principal business address of each of the Reporting Persons is 230 Park Avenue, 7th Floor, New York, New York 10169.

(c) The principal business of Nanes Delorme Partners is investing in securities. Nanes Delorme Partners pursues primarily active investments in publicly traded oil and gas exploration and production companies that it believes are trading at a significant discount to their intrinsic values or where one or more potential catalysts exist that could materially unlock the inherent value of those companies. The principal business of Nanes Balkany Partners is acting as the general partner of Nanes Delorme Partners. The principal business of Nanes Balkany Management is acting as the investment manager of Nanes Delorme Partners. The principal occupation of Mr. Balkany is serving as a managing member of Nanes Balkany Partners and Nanes Balkany Management. Concurrently, Mr. Balkany is a managing director of Nanes Delorme Capital Management LLC, a Delaware corporation ("Nanes Delorme Capital"), whose principal business is to provide financial advisory and broker-dealer services. The principal occupation of Mr. Nanes is serving as the managing partner of Nanes Delorme Capital and as a managing member of Nanes Balkany Partners and Nanes Balkany Management.

- (d) No Reporting Person has, during the last five years, been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors).
- (e) No Reporting Person has, during the last five years, been party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.
- (f) Mr. Balkany is a citizen of France and Mr. Nanes is a citizen of the United States of America.

Item 3. Source and Amount of Funds or Other Consideration.

The aggregate purchase price of the 4,700,000 Shares owned in the aggregate by Nanes Delorme Partners is approximately \$21,737,211 including brokerage commissions (including the Shares described in the next paragraph). The Shares owned by Nanes Delorme Partners were acquired with partnership funds.

Certain of the Shares reported in this Schedule 13D as beneficially owned by Nanes Delorme Partners were contributed by one of its limited partners. This limited partner contributed an aggregate of 2,700,000 Shares at an aggregate purchase price of approximately \$12,558,213, in order to subscribe for and purchase interests in Nanes Delorme Partners.

Item 4. Purpose of Transaction.

The Reporting Persons purchased the Shares based on the Reporting Persons' belief that the Shares, when purchased, were significantly undervalued and represented an attractive investment opportunity. Depending upon overall market conditions, other investment opportunities available to the Reporting Persons, and the availability of Shares at prices that would make the purchase of additional Shares desirable, the Reporting Persons may endeavor to increase their position in the Issuer through, among other things, the purchase of Shares on the open market or in private transactions or otherwise, on such terms and at such times as the Reporting Persons may deem advisable.

No Reporting Person has any present plan or proposal which would relate to or result in any of the matters set forth in subparagraphs (a) - (j) of Item 4 of Schedule 13D except as set forth in this Schedule 13D or such as would occur upon completion of any of the actions discussed above. The Reporting Persons intend to review their investment in the Issuer on a continuing basis and engage in discussions with management, the Board of the Issuer and other stockholders of the Issuer concerning the business, operations and future plans of the Issuer. Depending on various factors including, without limitation, the Issuer's financial position and investment strategy, the price levels of the Shares, conditions in the securities markets and general economic and industry conditions, the Reporting Persons may in the future take such actions with respect to their investment in the Issuer as they deem appropriate including, without limitation, seeking Board representation, making proposals to the Issuer concerning changes to the capitalization, ownership structure or operations of the Issuer, purchasing additional Shares, selling some or all of their Shares, engaging in short selling of or any hedging or similar transaction with respect to the Shares or changing their intention with respect to any and all matters referred to in Item 4.



On March 11, 2008, Nanes Delorme Partners sent a letter to the Board of Directors of the Issuer describing a number of concerns it has with the Issuer's performance. The letter included certain recommendations including, without limitation, that the Board of Directors of the Issuer retain a top tier investment banker to initiate an open bid process to sell the Issuer to the highest bidder. A copy of this letter is attached as an exhibit to this Schedule 13D and is incorporated herein by reference.

Item 5. Interest in Securities of the Issuer.

(a) The aggregate percentage of Shares reported owned by each person named herein is based upon 59,024,481 Shares outstanding, which is the total number of Shares reported to be outstanding as of October 31, 2007 in the Issuer's Quarterly Report on Form 10-Q, as filed with the Securities and Exchange Commission on November 9, 2007.

As of the date hereof, Nanes Delorme Partners beneficially owns 4,700,000 Shares, constituting approximately 8.0% of the Shares outstanding. As the general partner of Nanes Delorme Partners, Nanes Balkany Partners may be deemed to beneficially own the 4,700,000 Shares owned by Nanes Delorme Partners, constituting approximately 8.0% of the Shares outstanding. As the investment manager of Nanes Delorme Partners, Nanes Balkany Management may be deemed to beneficially own the 4,700,000 Shares owned by Nanes Delorme Partners, constituting approximately 8.0% of the Shares outstanding. As the managing members of Nanes Balkany Partners and Nanes Balkany Management, Messrs. Balkany and Nanes may be deemed to beneficially own the 4,700,000 Shares owned by Nanes Delorme Partners, constituting approximately 8.0% of the Shares outstanding. Messrs. Balkany and Nanes have sole voting and dispositive power with respect to the 4,700,000 Shares owned by Nanes Delorme Partners by virtue of their authority to vote and dispose of such Shares. Nanes Balkany Partners, Nanes Balkany Management and Messrs. Balkany and Nanes disclaim beneficial ownership of the Shares held by Nanes Delorme Partners, except to the extent of their pecuniary interest therein.

(b) By virtue of their position with Nanes Balkany Partners and Nanes Balkany Management, Messrs. Balkany and Nanes have the sole power to vote and dispose of the Shares beneficially owned by Nanes Delorme Partners reported in this Schedule 13D.

(c) Schedule A annexed hereto lists all transactions in the Shares during the past sixty days by the Reporting Persons. All of such transactions were effected in the open market.

(d) No person other than the Reporting Persons is known to have the right to receive, or the power to direct the receipt of dividends from, or proceeds from the sale of, the Shares.

(e) Not applicable.

Item 6. Contracts, Arrangements, Understandings or Relationships With Respect to Securities of the Issuer.

On March 11, 2008, Nanes Delorme Partners, Nanes Balkany Partners, Nanes Balkany Management and Messrs. Balkany and Nanes entered into a Joint Filing Agreement (the "Joint Filing Agreement") in which the parties agreed to the joint filing on behalf of each of them of statements on Schedule 13D with respect to the securities of the Issuer to the extent required by applicable law. The Joint Filing Agreement is attached as an exhibit hereto and is incorporated herein by reference.

Other than as described herein, there are no contracts, arrangements, understandings or relationships among the Reporting Persons, or between the Reporting Persons and any other person, with respect to the securities of the Issuer.

Item 7. Material to be Filed as Exhibits.

- 99.1. Joint Filing Agreement by and among Nanes Delorme Partners I LP, Nanes Balkany Partners LLC, Nanes Balkany Management LLC, Julien Balkany and Daryl Nanes, dated March 11, 2008.
- 99.2. Letter to the Board of Directors of VAALCO Energy, Inc. dated March 11, 2008.

SIGNATURES

After reasonable inquiry and to the best of his knowledge and belief, each of the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: March 11, 2008

NANES DELORME PARTNERS I LP

By: Nanes Balkany Partners LLC  
General Partner

By: /s/ Julien Balkany

Name: Julien Balkany

Title: Managing Member

NANES BALKANY PARTNERS LLC

By: /s/ Julien Balkany

Name: Julien Balkany

Title: Managing Member

NANES BALKANY MANAGEMENT LLC

By: /s/ Julien Balkany

Name: Julien Balkany

Title: Managing Member

/s/ Julien Balkany

Julien Balkany

/s/ Daryl Nanes

Daryl Nanes

SCHEDULE A  
Transactions in the Shares During the Past 60 Days

Shares of Common Stock <u>Purchased/(Sold)</u>	Price Per <u>Share(\$U.S.)</u>	Date of <u>Purchase/(Sale)</u>
<u>NANES DELORME PARTNERS I LP*</u>		
1,000	4.6300	11/28/2007
40,000	4.4432	12/05/2007
45,000	4.5998	12/14/2007
50,000	4.5940	12/17/2007
50,000	4.5948	12/18/2007
50,000	4.7314	12/19/2007
108,000	4.8648	12/20/2007
45,000	4.7796	12/27/2007
200,000	4.6887	12/31/2007
50,000	4.5871	01/02/2008
75,000	4.6810	01/04/2008
100,000	4.5602	01/07/2008
130,000	4.7468	01/08/2008
15,000	4.7434	01/09/2008
25,000	4.7654	01/10/2008
60,000	4.9277	01/11/2008
80,000	4.8779	01/15/2008
1,000	5.0430	01/16/2008
100,000	4.7917	01/18/2008
200,000	4.3459	01/22/2008
200,000	4.1646	01/23/2008
150,000	4.4521	01/24/2008
183,000	4.4643	01/25/2008

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\* For the period 11/28/07 through 1/30/08, a limited partner of Nanes Delorme Partners I LP purchased 2,700,000 Shares of VAALCO Energy, Inc. On 2/14/08, the limited partner contributed such Shares, with an aggregate purchase price of approximately \$12,558,213, in order to subscribe for and purchase interests in Nanes Delorme Partners I LP. Nanes Delorme Partners I LP assumed the same cost basis for the contributed shares and valued its contribution at the limited partner's own cost.

325,000	4.6157	01/28/2008
221,000	4.6623	01/29/2008
196,000	4.7365	01/30/2008
20,000	4.3048	02/22/2008
130,000	4.4257	02/27/2008
61,000	4.4376	02/28/2008
39,000	4.4361	02/29/2008
400,000	4.5100	03/03/2008
490,000	4.5435	03/04/2008
230,000	4.5729	03/05/2008
131,000	4.5466	03/06/2008
248,000	4.5369	03/07/2008
55,000	4.6948	03/10/2008
196,000	4.7588	03/11/2008

NANES BALKANY PARTNERS LLC

None

NANES BALKANY MANAGEMENT LLC

None

JULIEN BALKANY

None

DARYL NANES

None

EXHIBIT INDEX

Exhibit

- 99.1. Joint Filing Agreement by and among Nanes Delorme Partners I LP, Nanes Balkany Partners LLC, Nanes Balkany Management LLC, Julien Balkany and Daryl Nanes, dated March 11, 2008.
- 99.2. Letter to the Board of Directors of VAALCO Energy, Inc. dated March 11, 2008.



**JOINT FILING AGREEMENT**

In accordance with Rule 13d-1(k)(1)(iii) under the Securities Exchange Act of 1934, as amended, the persons named below agree to the joint filing on behalf of each of them of a Statement on Schedule 13D dated March 11, 2008 (including amendments thereto) with respect to the Common Stock of VAALCO Energy, Inc., a Delaware corporation. This Joint Filing Agreement shall be filed as an Exhibit to such Statement.

Dated: March 11, 2008

NANES DELORME PARTNERS I LP

By: Nanes Balkany Partners LLC  
General Partner

By: /s/ Julien Balkany  
Name: Julien Balkany  
Title: Managing Member

NANES BALKANY PARTNERS LLC

By: /s/ Julien Balkany  
Name: Julien Balkany  
Title: Managing Member

NANES BALKANY MANAGEMENT LLC

By: /s/ Julien Balkany  
Name: Julien Balkany  
Title: Managing Member

/s/ Julien Balkany  
Julien Balkany

/s/ Daryl Nanes  
Daryl Nanes

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**ND**  
Nanes Delorme  
Partner I

March 11, 2008

The Board of Directors  
VAALCO Energy, Inc.  
4600 Post Oak Place, Suite 309  
Houston, Texas 77027

Attn: **Robert L. Gerry III**  
*Chairman of the Board and Chief Executive Officer*

Gentlemen,

Nanes Delorme Partners I LP, with associated entities ("we"), currently beneficially own 4,700,000 of the outstanding shares of VAALCO Energy, Inc. ("VAALCO" or the "Company") representing approximately 8.0% of the Company.

As VAALCO's largest shareholder, we have a substantial interest in seeing that the management and the directors of the board (the "Board") of the Company are strongly committed to maximizing value for all shareholders, although we have grave concerns that recent actions demonstrate the contrary. By way of background, we have a history of successful achievements in oil and gas transactions and we have spent a considerable amount of time analyzing and evaluating the Company.

We are extremely frustrated by the major disconnect that exists between VAALCO's depressed stock price and the underlying value of its assets. We estimate the total Net Asset Value ("NAV") of the Company at approximately \$420 million, which translates into approximately \$7.12 per share and as of March 6, 2008 the shares closed as low as \$4.45.

During the past year, VAALCO's stock has underperformed by all relevant measures. In 2007, the share price fell approximately 30%, while the Standard & Poor's Midcap Oil and Gas Exploration and Production Index (the "Index") climbed nearly 45%. Unsurprisingly the underperformance has continued in 2008. The share price has declined approximately 4% through March 3, 2008, as compared to a 9% increase for the Index. During this period where most exploration and production companies ("E&P") have benefited from the recent historical surge in oil prices, we find the Company's steady stock price decline to be particularly alarming. Despite this continued underperformance, management does not seem to be taking effective action. We believe that the recently announced too-modest share buyback program is inadequate to reverse this downward trend or to fully address true shareholder value creation.

We have lost our initial confidence that the management and directors of the Company have the ability to eliminate this significant valuation gap. As a result, we urge the Board to immediately take the following actions to maximize value for all shareholders:

- Evaluate a range of strategic alternatives, including the possible sale of the entire company or the divestiture of its valuable West African portfolio;
- Retain a top tier investment bank to initiate an open bid process to sell the Company to the highest bidder. Having spoken to numerous industry experts and potential acquirers, we are confident that an offer to sell the entire Company would attract several interested parties that would pay a substantial premium to the current share price. As noted and detailed in our enclosed preliminary valuation analysis (see enclosed Table 3 - VAALCO Preliminary Valuation Analysis), we would anticipate a sale of the entire company would fetch a minimum of \$7.12 per share (representing approximately a 60% premium to the current share price);
- Cease attempting to diversify away from the Company's core geographical area in West Africa. The Company has been unwisely spending cash on acquiring and drilling minor North Sea interests that have been total exploration failures. The Company most recently announced its latest disappointing result in January 2008 when it drilled a dry hole on the 9/28b-19A exploration well for \$12 million;
- Take all the appropriate measures to reduce the Company's administrative costs and close the Company's office in Aberdeen (UK). We believe this office was inappropriately opened to further develop the Company's presence in the North Sea, which should be reduced, and not expanded; and
- Improve the Company's corporate governance with the immediate redemption of the Shareholders Rights Plan ("the Poison Pill") adopted in September 2007 along with the declassification of the staggered Board and a prompt review of the current skill set, composition and selection process of the Board.

We would also like to take this opportunity to draw your attention to the fact that the UK North Sea's production and reserves have been rapidly declining in recent years. This petroleum basin that has been explored for decades is now widely known for not presenting nearly as much upside as West Africa does. The stock price of the only U.S. publicly listed E&P company focused on the North Sea in 2007 has fallen by 41% in that same year (Endeavour International Corp. – ticker: EAC). We feel this illustrates the market's current lack of interest and enthusiasm for this mature petroleum region, and we do not understand why management has not done more to move away from this area. As VAALCO's largest shareholder, we are also losing confidence in the technical and operational ability of the management, particularly in light of the recent increase in CAPEX that haven't led to any important replacement of the reserves produced.

We also have reason to believe that VAALCO rebuffed private inquiries regarding a potential acquisition of the Company at a significant premium to its current share price on several occasions. In these instances the Board has not only failed to generate maximum value for shareholders, it has stood in the way of shareholders being able to realize this value through a sale and further perpetuated the cycle of value destruction at VAALCO.

We made our investment in VAALCO based on our belief that VAALCO is a company which has first class oil and gas properties, with a balanced portfolio of assets with substantial exploration upside in Angola and Gabon and which generates significant cash flow. However, despite these positive factors, the stock has continued to trade at a substantial discount to VAALCO's E&P peers using virtually all relevant comparable valuation metrics. The Company recently has traded at a total enterprise value to 2007 estimated EBITDA of approximately 2.4x, compared to recent multiples of approximately 11.9x for its selected group of E&P peers. Moreover, while the Company trades at a recent price to earnings ratio of approximately 9.5x, its peers trade at significantly higher multiples of approximately 19.4x based on the Bear Stearns E&P Index (see enclosed Table 1 – Summary E&P Comparable Trading Multiples). We strongly believe that VAALCO's stock price is significantly undervalued particularly when taking into account the value of similar M&A transactions in Africa where the Company's core assets are located (see enclosed Table 2 - Similar Recent Transactions Multiples in Gabon). In spite of record oil prices and a portfolio of high quality oil and gas E&P properties, the Company's stock price remains depressed and we believe is not appropriately valued by the public market.

We are beginning to doubt whether management's and directors' interests are aligned closely enough with those of other shareholders, and note that senior management and directors own in the aggregate less than 5% of the common stock outstanding, with most of this ownership consolidated in the hands of the Chairman. For the reasons laid out in this letter, we are committed to exchanging our views and to meeting with the Company's management and directors, and possibly other large shareholders as soon as possible, in an effort to urgently address the above problems plaguing the Company and negatively affecting its stock price, in an attempt to unlock value for all shareholders.

I would like to reiterate that we are committed shareholders whose priority is to work with the Company – not against it – in doing what is best for all shareholders. As always, we stand ready to meet with the Board and its representatives at their earliest convenience and are willing to discuss our views. We must, of course, reserve all rights to take any and all action required to protect the interests of shareholders if our concerns continue to fall on deaf ears, including, but not limited to, seeking Board representation or bidding for the entire Company. We hope such action will be unnecessary. Lastly, we remind the Board that we will not hesitate to hold the Company's directors accountable should the Company seek to utilize its balance sheet and cash flows to pursue any unwise transactions.

We look forward to a timely response to ensure appropriate actions in the best interest of all shareholders.

Sincerely,

**Nanes Delorme Partners I LP**

By: Nanes Balkany Partners LLC, General Partner

By: /s/ Julien Balkany  
 Name: Julien Balkany  
 Title: Managing Member

**Table 1 - Summary E&P comparable trading multiples (as of March 3, 2008)**

<u>Company</u>	<u>Ticker</u>	<u>EV/ EBITDA</u>		<u>Annual Return</u>	
		<u>2007E</u>	<u>2008E</u>	<u>Year to Date*</u>	<u>2007</u>
<b>Selected E&amp;P Peer Group</b>					
Approach Resources	AREX	10.6x	6.5x	10.30%	7%
Cabot Oil & Gas	COG	11.5x	10.4x	25.10%	33%
Denbury Resources	DNR	13.3x	11.0x	7.50%	114%
Newfield Exploration	NFX	5.9x	6.2x	6.20%	15%
Petrohawk Energy	HK	7.1x	7.9x	5.00%	51%
Plains Exploration	PXP	15x	7.8x	2.00%	14%
Quicksilver Resources	KWK	20x	15.3x	19.20%	63%
Range Resources	RRC	14.5x	11.6x	22.30%	87%
Southwestern Energy	SD	19.1x	13.9x	21.70%	59%
Ultra Petroleum	UPL	26.2x	15.8x	10.30%	50%
W&T Offshore	WTI	4.1x	3.8x	18.30%	-2%
Brigham Exploration	BEXP	5.3x	5.7x	6.50%	3%
Carrizo Oil & Gas	CRZO	21.3x	12.5x	8.30%	89%
Delta Petroleum	DPTR	33.1x	16.2x	28.50%	-19%
Encore Acquisition Co.	EAC	7.0x	5.8x	8.80%	36%
Exco Resources	XCO	7.5x	6.0x	9.60%	-8%
Mariner Energy	ME	5.0x	3.0x	23.70%	17%
Penn Virginia	PVA	6.7x	3.2x	-3.70%	25%
PetroQuest Energy	PQ	5.3x	4.3x	13.70%	12%
Swift Energy	SFY	4.3x	3.5x	11.10%	-2%
Whiting Petroleum	WLL	7.2x	6.2x	5.70%	24%
<b>Select E&amp;P Peer Group</b>		<b>11.9x</b>	<b>8.4x</b>	<b>12%</b>	<b>32%</b>
S&P MidCap Oil & Gas E&P Index		NA	NA	9%	44%
S&P SmallCap Oil & Gas E&P Index		NA	NA	11%	27%

	P / E		EV/ EBITDA		Annual Return	
	2007E	2008E	2007E	2008E	Year to Date*	2007
Bear Stearns E&P Index	19.4x	18.9x	7.5x	6.4x	9%	35%
<b>VAALCO Energy (EGY)</b>	<b>9.5x</b>	<b>8.5x</b>	<b>2.4x</b>	<b>2.2x</b>	<b>-4%</b>	<b>-30%</b>

\* until March 3, 2008

Source: Bloomberg, Bear Stearns & Co. Inc. and JPMorgan estimates

*This sample of US publicly listed small and medium-size companies E&P companies has been provided only for general information purposes and does not represent an investment advice.*

**Table 2 - Similar Recent Transactions Multiples in Gabon**

Date	Acquirer	Seller	Price (\$MM)	Description of the Transaction	2P Reserves <sup>(1)</sup>	\$ / 2P <sup>(1)</sup>
Aug-06	Addax	PanOcean	1,400	Addax acquired PanOcean Energy, a Canadian E&P company with all its assets located in Gabon. Its core holding was its 31% interest in the Etame Permit.	67MMBOE	\$21
Nov-07	Oranje-Nassau	Devon Energy	206	Devon sold its 18.75% non-operated interest in the Kowe Block, offshore Gabon to Oranje-Nassau.	10MMBOE	\$21
				<b>This implies a value of \$221MM for VAALCO's 28% interest in the Etame Permit</b>	<b>10.5MMBOE<sup>(2)</sup></b>	<b>\$21</b>

<sup>(1)</sup> Net proved and probable reserves in million barrels of oil equivalent

<sup>(2)</sup> According to slide 25 of the Company Corporate Presentation at Pritchard Energy Conference in January 2008

Source: Nanes Delorme Partners I LP and John S. Herold, Inc. estimates

**Table 3 - VAALCO Preliminary Valuation Analysis**

	<b>Est. Value (\$MM)</b>	<b>Est. Value / Share</b>
Estimated NPV for the Etame Permit ( Producing Assets Gabon) <sup>(1)</sup>	220	\$3.73
African Exploration Assets <sup>(2)</sup>	110	\$1.86
North Sea Interest <sup>(3)</sup>	(15)	(\$0.25)
Other Assets (including Texas and Gulf of Mexico Properties)	5	\$0.08
Net Debt	(5)	(\$0.08)
Cash in Bank <sup>(4)</sup>	105	\$1.78
<b>Implied Total NAV for VAALCO Energy, Inc.</b>	<b>420</b>	<b>\$7.12</b>
Current Share Price <sup>(5)</sup>		\$4.45
<b>Implied Total Premium to Current Share Price</b>		<b>60%</b>

<sup>(1)</sup> Discounted net present value at 10% (post-tax) of proved and probable reserves for VAALCO in the Etame Permit, as of December 31, 2007 and using a long term oil price of \$75 per barrel

<sup>(2)</sup> Exploration risked value for the Company's 100% interest in the Mutumba field (Gabon) and for its 40% working interest in the offshore Block 5 (Angola)

<sup>(3)</sup> Future liability due to the payment of a significant portion of the well cost on Block 48/25c

<sup>(4)</sup> According to slide 25 of the Company Corporate Presentation at Pritchard Energy Conference in January 2008

<sup>(5)</sup> As of March 6, 2008

**The estimates and information shown above represent the opinions of Nanes Delorme Partners I LP and should not be regarded by any recipient as providing the basis for any investment decision nor should it be interpreted as a fairness opinion.**

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