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

SCHEDULE 13D

Under the Securities Exchange Act of 1934

VAALCO ENERGY, INC.
(Name of Issuer)

Common Stock
(Title of Class of Securities)

91851C201
(CUSIP Number)

LAWRENCE C. TUCKER
Brown Brothers Harriman & Co.
59 Wall Street
New York, New York
(212) 483-1818
(Name, Address and Telephone Number of
Person Authorized to Receive Notices
and Communications)

April 21, 1998
(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 which is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(b)(3) or (4), check the following box [ ].

*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).

CUSIP No. 91851C201

1 NAME OF REPORTING PERSON

THE 1818 FUND II, L.P.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP
(a) [ ]

(b) [X]

3 SEC USE ONLY

4 SOURCE OF FUNDS
OO

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(D) OR 2(E)

6 CITIZENSHIP OR PLACE OR ORGANIZATION

DELAWARE

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER -0-
	8	SHARED VOTING POWER 31,263,441
	9	SOLE DISPOSITIVE POWER -0-
	10	SHARED DISPOSITIVE POWER 31,263,441

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
31,263,441

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN
SHARES

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
70.27%

14 TYPE OF REPORTING PERSON
PN

CUSIP No. 91851C201

1 NAME OF REPORTING PERSON

BROWN BROTHERS HARRIMAN & CO.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP
(a) [ ]

(b) [X]

3 SEC USE ONLY

4 SOURCE OF FUNDS
OO

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT
TO ITEMS 2(D) OR 2(E)

6 CITIZENSHIP OR PLACE OR ORGANIZATION

NEW YORK

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER -0-
	8	SHARED VOTING POWER 31,263,441
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14 TYPE OF REPORTING PERSON
PN

CUSIP No. 91851C201

1 NAME OF REPORTING PERSON

T. MICHAEL LONG

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP
(a) [ ]

(b) [X]

3 SEC USE ONLY

4 SOURCE OF FUNDS
OO

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TO ITEMS 2(D) OR 2(E)

6 CITIZENSHIP OR PLACE OR ORGANIZATION

UNITED STATES

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	NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH		-0-
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70.27%

14 TYPE OF REPORTING PERSON
IN

CUSIP No. 91851C201

1 NAME OF REPORTING PERSON

LAWRENCE C. TUCKER

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP
(a) [ ]

(b) [X]

3 SEC USE ONLY

4 SOURCE OF FUNDS
OO

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(D) OR 2(E)

6 CITIZENSHIP OR PLACE OR ORGANIZATION

UNITED STATES

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14 TYPE OF REPORTING PERSON
IN

Item 1. Security and Issuer.

This Statement on Schedule 13D relates to the common stock, par value $.10 per share (the "Common Stock"), of Vaalco Energy, Inc., a Delaware corporation (the "Company"), whose principal executive office is located at 4600 Post Oak Place, Suite 309, Houston, Texas 77027.

Item 2. Identity and Background.

(a), (b), (c) and (f). This Statement on Schedule 13D is being filed by The 1818 Fund II, L.P., a Delaware limited partnership (the "Fund"), Brown Brothers Harriman & Co., a New York limited partnership and general partner of the Fund ("BBH&Co."), T. Michael Long ("Long") and Lawrence C. Tucker ("Tucker") (the Fund, BBH&Co., Long and Tucker are referred to collectively herein as the "Reporting Persons"). The Fund was formed to provide a vehicle for institutional and substantial corporate investors to acquire significant equity interests in

medium-sized publicly owned United States corporations. BBH&Co. is a private bank. Pursuant to a resolution adopted by the partners of BBH&Co., BBH&Co. has designated and appointed Long and Tucker, or either of them, the sole and exclusive partners of BBH&Co. having voting power (including the power to vote or to direct the voting) and investment power (including the power to dispose or to direct the disposition) with respect to the Common Stock.

The address of the principal business and principal offices of the Fund and BBH&Co. is 59 Wall Street, New York, New York 10005.

The business address of each of Long and Tucker is 59 Wall Street, New York, New York 10005. The present principal occupation or employment of each of Long and Tucker is as a general partner of BBH&Co. Long and Tucker are citizens of the United States.

The name, business address, present principal occupation or employment (and the name, principal business and address of any corporation or other organization in which such employment is conducted) and the citizenship of each general partner of BBH&Co. is set forth on Schedule I hereto and is incorporated herein by reference.

(d) and (e). During the last five years, neither any Reporting Person nor, to the best knowledge of each Reporting Person, any person identified on Schedule I has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or was a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of which any such person was or is subject to a judgement, 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.

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

Pursuant to a Stock Acquisition Agreement and Plan of Reorganization, dated as of February 17, 1998 and amended as of April 21, 1998 (the "Stock Acquisition Agreement"), among the Company, the Fund and 1818 Oil Corp., a Delaware corporation and wholly-owned subsidiary of the Fund ("1818 Oil"), upon the closing of the transactions contemplated by the Stock Acquisition Agreement (the "Acquisition Closing"), the Company issued, and the Fund acquired from the Company, (i) 10,000 shares of preferred stock, par value $25.00 per share (the "Preferred Stock"), of the Company and (ii) 3,763,441 shares of Common Stock. A copy of the Stock Acquisition Agreement and Amendment No. 1 thereto are attached hereto as Exhibits 1 and 2 respectively and are hereby incorporated by reference. The Fund has also entered into a Registration Rights Agreement, dated as of April 21, 1998 (the "Registration Rights Agreement"), between the Company and the Fund, pursuant to which the Company has agreed, under the terms and conditions set forth therein, to register under the Securities Act of 1933, as amended, the Common Stock issuable upon the conversion of the shares of Preferred Stock held by the Fund and all other shares of Common Stock held by the Fund. A copy of the Registration Rights Agreement is attached hereto as Exhibit 3 and is hereby incorporated by reference.

The consideration paid by the Fund for the shares of Preferred Stock it purchased under the Stock Acquisition Agreement consisted of all of the issued and outstanding shares of common stock, par value $.01 per share (the "1818 Oil

Common Stock"), of 1818 Oil and the consideration for the shares of Common Stock it purchased under the Stock Acquisition Agreement consisted of $7,000,000 in cash.1/

The cash portion of the consideration (as well as the consideration the Fund originally paid for the shares of 1818 Oil Common Stock) was obtained by the Fund from capital contributions made by its partners pursuant to pre-existing capital commitments.

Item 4. Purpose of Transaction.

The Fund has acquired the securities of the Company for investment purposes only.

As described below, in connection with the closing under the Stock Acquisition Agreement, the Fund acquired certain rights and privileges with respect to the Board of Directors and management of the Company which may impede the acquisition of control of the Company by any person. Pursuant to the terms of the Preferred Stock, all of the outstanding shares of which are held by the Fund, for so long as the number of outstanding shares of Preferred Stock represent (after giving effect to any adjustments) on a fully-diluted basis at

least five percent (5%) of the

total number of shares of Common Stock outstanding, the holders of the Preferred Stock have the right to elect three members of the Board of Directors of the Company. As of the Acquisition Closing, the number of members of the Board of Directors was increased from five to eight to allow the Fund, as holder of all of the outstanding shares of Preferred Stock, to designate three individuals to be directors of the Company, and such individuals have been elected to the Board of Directors. In addition, the holders of shares of Preferred Stock vote together with the holders of shares of Common Stock on all matters submitted to the holders of Common Stock at any annual or special meeting of the Company (or any written consent in lieu thereof), including the election of directors. Accordingly, as described in Item 5 below, as of the date hereof the combined voting power of the shares of Common Stock and the shares of Preferred Stock held by the Fund would allow the Fund to control any vote submitted to the shareholders of the Company (or any written consent in lieu thereof) which requires the consent of a majority of holders of shares of Common Stock. A copy of the Certificate of Designation of the Preferred Stock is attached hereto as Exhibit 4 and is hereby incorporated by reference.

Pursuant to the terms of the Stock Acquisition Agreement, the By-Laws of the Company were amended as of the Acquisition Closing to provide that the consent of at least one director elected by the class vote of the holders of shares of Preferred Stock is required for the Board of Directors to approve certain actions by the Company, including, without limitation, (i) the issuance of any equity securities of the Company or any subsidiary thereof, or rights of any kind convertible or exchangeable for any equity securities of the Company or any subsidiary thereof, or

any option, warrant or other subscription or purchase right with respect to equity securities of the Company or any subsidiary thereof; (ii) any transaction of merger or consolidation of the Company or any subsidiary thereof with one or more persons or any transaction of merger or consolidation of one or more persons into or with the Company or any subsidiary thereof; (iii) any sale, conveyance, exchange or transfer to another person of (x) the voting stock of the Company or any subsidiary thereof or (y) all or substantially all of the assets of the Company or any subsidiary thereof, (iv) outside of the ordinary course of business (x) any sale, conveyance, exchange, transfer or lease or other disposition to another person of any material assets, rights or properties of the Company or any subsidiary thereof or (y) any purchase, lease or other acquisition of any material assets, rights or properties of another person; (v) any amendment, modification or restatement of the Restated Certification of Incorporation or By-Laws of the Company, or the certificate of incorporation of any subsidiary of the Company (including, without limitation, a change in the number of directors which constitutes the Board of Directors).

The Company has informed the Fund that, as a result of the closing under the Stock Acquisition Agreement and a separate private placement of shares of Common Stock, the Company currently does not have reserved and available for issuance such number of authorized but unissued shares of Common Stock as would

be sufficient to permit the conversion of all of the outstanding shares of Preferred Stock and all outstanding warrants and options with respect to the Common Stock (collectively, the "Options") into shares of Common Stock. Pursuant to a letter agreement, dated as of April 21, 1998 (the "Letter Agreement"), among the Company, the Fund, Robert L. Gerry ("Gerry") and W. Russell Scheirman ("Scheirman"), the Fund, Gerry and Scheirman (i) waived any breach by the Company of the terms of the Preferred Stock and Options held by each of them as a result of there not being a sufficient amount of Common Stock available for issuance upon the conversion or exercise of such securities; (ii) agreed not to convert a certain number of shares of Preferred Stock and Options held by each of them so that the Company would not be in breach of its obligations to other persons with respect to the Company's having a sufficient amount of authorized but unissued shares of Common Stock to allow for the conversion into Common Stock of all of the Options held by such other persons; and (iii) agreed to vote in favor of an amendment to the Restated Certificate of Incorporation of the Company to allow the Company to have reserved and available for issuance such number of shares of Common Stock as would be sufficient to allow for the conversion of all outstanding shares of Preferred Stock and all outstanding Options. A copy of the Letter Agreement is attached hereto as Exhibit 5 and is hereby incorporated by reference.

The Reporting Persons may from time to time acquire additional shares of Common Stock in the open market or in privately negotiated transactions, subject to the availability of shares of Common Stock at prices deemed favorable, the Company's business or financial condition and to other factors

and conditions the

Reporting Persons deem appropriate. Alternatively, the Reporting Persons may sell all or a portion of the shares of Common Stock or Preferred Stock in open market or in privately negotiated transactions, subject to the factors and conditions referred to above and compliance with applicable laws.

Except as described in the Registration Rights Agreement and the Letter Agreement and as set forth above in this Item 4, no Reporting Person has any present plans or proposals which relate to or would result in: (a) the acquisition by any person of additional securities of the issuer, or the disposition of securities of the issuer; (b) an extraordinary corporate transaction, such as a merger, reorganization or liquidation, involving the Company or any of its subsidiaries; (c) a sale or transfer of a material amount of assets of the Company or of any of its subsidiaries; (d) any change in the present board of directors or management of the Company, including any plans or proposals to change the number or term of directors or to fill any existing vacancies on the board; (e) any material change in the present capitalization or dividend policy of the Company; (f) any other material change in the Company's business or corporate structure; (g) changes in the Company's charter, bylaws or instruments corresponding thereto or other actions which may impede the acquisition of control of the Company by any person; (h) causing a class of securities of the Company to be delisted from a national securities exchange or to cease to be authorized to be quoted in an inter-dealer quotation system of a registered national securities association; (i) a class of equity securities of the Company becoming eligible for termination of registration pursuant to Section 12(g)(4) of the Securities Exchange Act of 1934; or (j) any action similar to any of those enumerated above.

Item 5. Interest in Securities of the Issuer.

(a) through (c). As set forth above, in connection with the closing under the Stock Acquisition Agreement the Fund acquired 10,000 shares of Preferred Stock and 3,763,441 shares of Common Stock. Accordingly, as of April 27, 1998, assuming the conversion of the shares of Preferred Stock held by the Fund into shares of Common Stock as of such date, the Fund may be deemed to own 31,263,441 shares of Common Stock, which, based on calculations made in accordance with Rule 13-d3(d) promulgated under the Securities Exchange Act of 1934, as amended, and there being 16,986,527 shares of Common Stock outstanding on April 27, 1998 (as represented to the Fund by the Company), represents 70.27% of the outstanding shares of Common Stock.

By virtue of BBH&Co.'s relationship with the Fund, BBH&Co. may be deemed to beneficially own 31,263,441 shares of Common Stock, representing approximately 70.27% of the outstanding shares of Common Stock (based on the number of shares of Common Stock outstanding on April 27, 1998 as represented by the Company to the Fund). By virtue of the resolution adopted by BBH&Co. designating Long and Tucker, or either of them, as the sole and exclusive partners of BBH&Co. having voting power (including the power to vote or to direct the voting) and investment power (including the power to dispose or to direct the disposition) with respect to the securities of the Company, each of Long and Tucker may be deemed to beneficially own 33,263,441 shares of Common Stock, representing approximately 70.27% of the outstanding shares of Common Stock (based on the

number of shares of Common Stock outstanding on April 27, 1998 as represented by the Company to the Fund).

Except as set forth above, no Reporting Person nor, to the best knowledge of each Reporting Person, any person identified on Schedule I, beneficially owns any shares of Common Stock or has effected any transaction in shares of Common Stock during the proceeding 60 days.

Paragraphs (d) and (e) of Item 5 of Schedule 13D are not applicable to this filing.

Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to the Common Stock of the Issuer.

The Company and the Fund are parties to the Registration Rights Agreement which gives the Fund, among other things, the right, on the terms and conditions set forth therein, to require the Company to register for sale to the public the shares of Common Stock issued upon the conversion of the Preferred Stock and any shares of Common stock held by the Fund.

Except as described elsewhere in this Statement and as set forth in the Stock Acquisition Agreement, the Registration Rights Agreement and the Letter

Agreement, copies of which are attached hereto as Exhibits 1 (and 2), 3, and 5 respectively, and incorporated herein by reference, to the best knowledge of the Reporting Persons, there exist no contracts, arrangements, understandings or relationships (legal or otherwise) among the persons named in Item 2 and between

such persons and any person with respect to any securities of the Company, including but not limited to transfer or voting of any securities of the Company, finder's fees, joint ventures, loan or option arrangements, puts or calls, guarantees of profits, division of profits or loss, or the giving or withholding of proxies.

Item 7. Material To Be Filed as Exhibits.

1. Stock Acquisition Agreement and Plan of Reorganization, dated as of February 27, 1998, among the Company, the Fund and 1818 Oil.

2. Amendment No. 1 to the Stock Acquisition Agreement and Plan of Reorganization, dated as of April 21, 1998, among the Company, the Fund and 1818 Oil.

3. Registration Rights Agreement, dated as of April 21, 1998, between the Company and the Fund.

4. Certificate of Designation of the Preferred Stock.

5. Letter Agreement, dated April 21, 1998, among the Company, the Fund, Gerry and Scheirman.

SIGNATURE

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

Dated: April 30, 1998

THE 1818 FUND II, L.P.

By: Brown Brothers Harriman & Co.,
General Partner

By: /S/ Lawrence C. Tucker

Name: Lawrence C. Tucker
Title: Partner

BROWN BROTHERS HARRIMAN & CO.

By: /s/ Lawrence C. Tucker

Name: Lawrence C. Tucker
Title: Partner

/s/ T. Michael Long

T. Michael Long

/s/ Lawrence C. Tucker

Lawrence C. Tucker

SCHEDULE I

Set forth below are the names and positions of all of the general partners of BBH & Co. The principal occupation or employment of each person listed below is private banker, and, unless otherwise indicated, the business address of each person is 59 Wall Street, New York, New York 10005. Unless otherwise indicated, each person listed below is a citizen of the United States.

Name	Business Address (if other than as indicated above)
Peter B. Bartlett	
Brian A. Berris	
Walter H. Brown	
Douglas A. Donahue, Jr.	40 Water Street Boston, Massachusetts 02109
Anthony T. Enders	
Alexander T. Ercklentz	
Terrence M. Farley	
Elbridge T. Gerry, Jr.	
Robert R. Gould	
Kyosuko Kashimoto (citizen of Japan)	8-14 Nihonbashi 30-Chome Chuo-ku Tokyo 103, Japan
Radford W. Klotz	
Noah T. Herndon	40 Water Street Boston, Massachusetts 02109
Landon Hilliard	

Name	Business Address (if other than as indicated above)
Michael Kraynak, Jr.	
T. Michael Long	
Hampton S. Lynch	
Michael W. McConnell	
William H. Moore III	
Donald B. Murphy	
John A. Nielsen	
Eugene C. Rainis	
A. Heaton Robertson	40 Water Street Boston, Massachusetts 02109
Jeffrey A. Schoenfeld	40 Water Street Boston, Massachusetts 02109
Stokley P. Towles	40 Water Street Boston, Massachusetts 02109
Lawrence C. Tucker	
Maarten van Hengel	
Douglas C. Walker	1531 Walnut Street Philadelphia, Pennsylvania 19102
Laurence F. Whittemore	
Richard H. Witmer, Jr.	

INDEX TO EXHIBITS

STOCK ACQUISITION AGREEMENT

AND PLAN OF REORGANIZATION

by
and
among

VAALCO ENERGY, INC.
a Delaware corporation
("Vaalco"),

and

The 1818 Fund II, L.P.
a Delaware limited partnership
("Fund"),

covering all of the capital stock of

1818 Oil Corp.
a Delaware corporation
(the "Company")

Dated as of February 17, 1998

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STOCK PURCHASE AGREEMENT

This AGREEMENT dated as of February 17, 1998, by and among Vaalco Energy, Inc., a Delaware corporation ("Vaalco"), and The 1818 Fund II, L.P., a Delaware limited partnership ("Fund"), and 1818 Oil Corp., a Delaware corporation (the "Company").

WITNESSETH:

WHEREAS, Vaalco desires to acquire all of the issued and outstanding capital stock of the Company pursuant to the terms and conditions hereof; and

WHEREAS, Fund desires to transfer all of the capital stock of the Company to Vaalco in exchange for the Vaalco Shares (as defined herein) pursuant to a plan of reorganization under Sections 354 and 368(a)(1)(B) of the Internal Revenue Code of 1986, as amended;

NOW, THEREFORE, in consideration of the representations, warranties and covenants contained herein, the parties agree as follows:

ARTICLE 1. DEFINITIONS

SECTION 1.1 DEFINITIONS. As used in this Agreement, the following terms when capitalized have the meanings indicated.

"AFFILIATE" shall have the meaning ascribed by Rule 12b-2 promulgated under the Exchange Act.

"AGREEMENT" shall mean this Agreement, including the Schedules and Exhibits hereto, all as amended or otherwise modified from time to time.

"CERTIFICATE OF DESIGNATION" means the Certificate of Designation designating the rights, privileges and preferences of the Vaalco Shares, in the form attached hereto as Exhibit A.

"CLOSING" shall have the meaning ascribed to it in Section 3.1.

"CODE" shall mean the Internal Revenue Code of 1986, as amended.

"COMPANY AUDITED FINANCIAL STATEMENTS" shall mean the audited balance sheets, and the related statements of earnings, stockholders' equity and cash flows, and the related notes thereto of Company as of and for the three months ended December 31, 1995 and the twelve months ended December 31, 1996.

"COMPANY FINANCIAL STATEMENTS" shall mean the Company Audited Financial Statements and the Company Interim Financial Statements.

"COMPANY INTERIM FINANCIAL STATEMENTS" shall mean the unaudited balance sheet, and the related unaudited statements of earnings and cash flows of the Company as of and for the nine months ended September 30, 1997.

"COMPANY LATEST BALANCE SHEET" shall mean the balance sheet included in the Company Interim Financial Statements.

"CONSOLIDATED NET WORTH" means, as of the date of determination with respect to any Person, the consolidated stockholders' equity of the Person and its consolidated subsidiaries, determined in accordance with generally accepted accounting principles.

"CONTRACTUAL OBLIGATIONS" means as to any Person, any provision of any security issued by such Person or of any agreement, undertaking, contract, indenture, mortgage, deed of trust or other instrument to which such Person is a party or by which it or any of its property is bound.

"EXCHANGE ACT" shall mean the Securities Exchange Act of 1934, as amended.

"GOVERNMENTAL AUTHORITY" means the government of any nation, state or other political subdivision thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing (including, without limitation, a government controlled oil company).

"HAZARDOUS MATERIALS" means those substances which are regulated by or form the basis of liability under Environmental Laws.

"HOLDER" means the Fund and any subsequent direct or indirect transferee of the Vaalco Shares or Common Stock issued upon conversion of the Vaalco Shares, other than a transferee, (i) who has acquired the Vaalco Shares or the Common Stock issuable upon conversion of such Vaalco Shares that have been the subject of a distribution registered under the Securities Act or (ii) in the case of Common Stock issuable upon conversion of the Vaalco Shares, who has acquired such Common Stock after such stock has been the subject of a distribution to the public pursuant to Rule 144 under the Securities Act or otherwise distributed under circumstances not requiring a legend as described in Section 2.2.

"LIENS" shall mean pledges, liens, defects, leases, licenses, equities, conditional sales contracts, charges, claims, encumbrances, security interests, easements, restrictions, chattel mortgages, mortgages or deeds of trust, of any kind or nature whatsoever.

"MAJORITY HOLDERS" means Holders who own a majority of the shares of Vaalco Common Stock issued or issuable upon conversion of the Vaalco Shares.

"MATERIAL ADVERSE CHANGE" is a change which had or would have a Material Adverse Effect.

"MATERIAL ADVERSE EFFECT" shall mean with respect to any Person, a material adverse effect on the financial condition, results of operations, business or prospects of such Person and, in the case of Vaalco, its Consolidated Group taken as a whole.

"PERSON" shall mean an individual, firm, corporation, general or limited

partnership, limited liability company, limited liability partnership, joint venture, trust, governmental authority or body, association, unincorporated organization or other entity.

"PRE-CLOSING PERIODS" shall mean all Tax periods ending at or before the Closing and, with respect to any Tax period that includes but does not end at the Closing, the portion of such period that ends at and includes the Closing.

"REGISTRATION RIGHTS AGREEMENT" means the Registration Rights Agreement between Vaalco and the Fund, in the form attached as Exhibit B.

"RETURNS" shall mean all returns, reports, estimates, declarations and statements of any nature regarding Taxes for any Pre-Closing Period required to be filed by the taxpayer relating to its income, properties or operations.

"REQUIREMENTS OF LAW" means as to any Person, any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"SEC" means the U. S Securities and Exchange Commission or any similar agency then having jurisdiction to enforce the Securities Act.

"SECURITIES ACT" means The Securities Act of 1933, as amended, and the rules and regulations of the SEC thereunder.

"SOLVENT" means, with respect to any Person, that the fair saleable value of the assets and property of such Person is, on the date of determination, greater than the total amount of liabilities (including contingent and unliquidated liabilities) of such Person as of such date and that, as of such date, such Person is able to pay all liabilities of such Person as such liabilities mature. In computing the amount of contingent or liquidated liabilities at any time, such liabilities will be computed as the amount which, in light of all the facts and circumstances existing at such time, represents the amount that is probable to become an absolute and matured liability.

"TAXES" shall mean any federal, state, local, foreign or other taxes (including, without limitation, income, alternative minimum, franchise, property, sales, use, lease, excise, premium, payroll, wage, employment or withholding taxes), fees, duties, assessments, withholdings or governmental charges of any kind whatsoever (including interest, penalties and additions to tax).

"VAALCO AUDITED FINANCIAL STATEMENTS" shall mean the audited balance sheets and related statements of income, stockholders' equity and cash flows, and the related notes thereto of the Vaalco Consolidated Group as of and for the three years December 31, 1996.

"VAALCO CONSOLIDATED GROUP" shall mean Vaalco and any entity in which Vaalco owns an equity interest and which is consolidated with Vaalco under generally accepted accounting principles.

"VAALCO FINANCIAL STATEMENTS" shall mean the Vaalco Audited Financial Statements and the Vaalco Interim Financial Statements, collectively.

"VAALCO INTERIM FINANCIAL STATEMENTS" shall mean the unaudited balance sheet, and the related unaudited statements of income and cash flows of the Vaalco Consolidated Group as of and for the nine months ended September 30, 1997.

"VAALCO LATEST BALANCE SHEET" shall mean the balance sheet of Vaalco included in the Vaalco Interim Financial Statements.

ARTICLE 2. EXCHANGE OF STOCK

SECTION 2.1 ACQUISITION OF STOCK. Subject to the terms and conditions herein set forth, (i) Vaalco agrees that it will acquire, and the Fund agrees to transfer to Vaalco, 229 shares of the common stock, $.01 par value (the "Company Shares"), of the Company, and (ii) the Fund agrees to acquire shares (the "Vaalco Common Shares") of common stock of Vaalco, $0.10 par value ("Vaalco Common Stock") in an aggregate amount of $5,000,000. Upon payment for the Company Shares pursuant to Section 2.2 hereof, the Fund will deliver certificates representing the Company Shares, duly endorsed for transfer to Vaalco, free and clear of any Liens, other than any restrictions on transfer arising under federal and state securities laws which may constitute Liens.

SECTION 2.2 ISSUANCE OF SHARES. The consideration for the Company Shares will be 10,000 shares of the preferred stock, $25.00 par value (the "Vaalco Preferred Shares" and, together with the Vaalco Common Shares, the "Vaalco Shares"), of Vaalco which shares will be validly issued, fully paid and non-assessable. The Vaalco Preferred Shares shall have the rights and preferences set forth herein and in the Certificate of Designation. The consideration for the Vaalco Common Shares payable by the Fund to Vaalco shall

be a price per share equal to the lesser of the Placement Price (as hereinafter defined) and $2.50. The Vaalco Shares and any shares of common stock of Vaalco, $0.10 par value per share ("Vaalco Common Stock"), issued upon conversion of the Vaalco Preferred Shares will not be registered, and will bear a restrictive legend as follows:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE SOLD OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR AN APPLICABLE EXEMPTION TO THE REGISTRATION REQUIREMENTS OF SUCH LAWS.

ARTICLE 3. CLOSING

SECTION 3.1 CLOSING DATE, TIME AND PLACE. The closing of the transactions provided for in this Agreement ("Closing"), shall take place at 10:00 a.m. on March 11, 1998 at the offices of Butler & Binion, L.L.P., or at such other date, time and place as the parties hereto shall agree. At the Closing, the parties shall make the deliveries required by Article 8 hereof.

ARTICLE 4. REPRESENTATIONS AND WARRANTIES OF VAALCO

Vaalco represents and warrants to Fund, as of the date hereof as follows:

SECTION 4.1 ORGANIZATION. Vaalco is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all corporate power

and authority to carry on its business as now being conducted and to own its properties. Each other member of the Vaalco Consolidated Group is duly organized under the laws of the state of its organization and has all the requisite power and authority under the laws of such jurisdiction to carry on its business as now being conducted and to own its properties. Each member of the Vaalco Consolidated Group is duly qualified to do business and is in good standing in each state and foreign jurisdiction in which the character or location of the properties owned or leased by it or the nature of the business conducted by it makes such qualification necessary, except where the failure to be so qualified or in good standing would not have a Material Adverse Effect on Vaalco.

SECTION 4.2 AFFILIATED ENTITIES.

(a) Schedule 4.2 lists each member of the Vaalco Consolidated Group. All shares of the outstanding capital stock or equity interests in each member of the Vaalco Consolidated Group have been duly authorized and validly issued and are fully paid and nonassessable and are not subject to preemptive rights and, except as set forth in Schedule 4.2, are owned by Vaalco, by another member of the Vaalco Consolidated Group or by Vaalco and another member of the Vaalco Consolidated Group, free and clear of all Liens.

(b) Except as listed on Schedule 4.2, Vaalco does not, directly or indirectly, own of record or beneficially, or has the right or obligation to acquire, any outstanding securities or other interest in any corporation, partnership, joint venture or other entity.

SECTION 4.3 CAPITALIZATION. The authorized capital stock of Vaalco consists exclusively of 50,000,000 shares of Vaalco Common Stock, of which 15,566,527 shares are issued and outstanding and 5,395 shares are held in its treasury as of the date hereof, and 5,000,000 shares of preferred stock, $25.00 par value per share, none of which shares are outstanding as of the date hereof or held in its treasury. The Vaalco Shares to be issued at the Closing have been duly authorized and when issued will have been validly issued and fully paid and non-assessable and not subject to preemptive rights. All issued and outstanding shares of capital stock have been validly issued, are fully paid and non-assessable and were issued free of preemptive rights, in compliance with any rights of first refusal, and in compliance with all legal requirements. No share of capital stock of Vaalco has been, or may be required to be, reacquired by Vaalco for any reason or is, or may be required to be, issued by Vaalco for any reason, including, without limitation, by reason of any option, warrant, security or right convertible into or exchangeable for such shares, or any agreement to issue any of the foregoing, except for 3,075,000 of Vaalco Common Stock shares reserved for issuance pursuant to options described in Schedule 4.3 granted to the current and former employees of the Vaalco Consolidated Group named in Schedule 4.3.

SECTION 4.4 AUTHORITY; ENFORCEABLE AGREEMENTS; VALIDITY OF VAALCO SHARES.

(a) Vaalco has the requisite corporate power and authority to enter into this Agreement and to consummate the transactions described herein. The execution and delivery of this Agreement by Vaalco and the consummation by Vaalco of the transactions described herein have been duly authorized by all necessary corporate action on the part of Vaalco.

(b) This Agreement has been duly executed and delivered by Vaalco,

and (assuming due execution and delivery by the other parties hereto) constitutes a valid and binding obligation of Vaalco, enforceable against Vaalco in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and general principles of equity. The other agreements entered, or to be entered, into by Vaalco in connection with this Agreement have been, or will be, duly executed and delivered by Vaalco, and (assuming due execution and delivery by the other parties thereto) constitute, or will constitute, valid and binding obligations of Vaalco, enforceable against Vaalco in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and general principles of equity.

(c) The Vaalco Shares have been duly authorized and, when issued as contemplated by this Agreement, will be fully paid and non-assessable, and will entitle the holder thereof to the rights and preferences set forth in the Certificate of Designation.

SECTION 4.5 NO CONFLICTS OR CONSENTS.

(a) Neither the execution, delivery or performance of this Agreement by Vaalco nor the consummation of the transactions contemplated hereby will (i) violate, conflict with, or result in a breach of any provision of, constitute a default (or an event that, with notice or lapse of time or both, would constitute a default) under, result in the termination of, or accelerate the performance required by, or result in the creation of any adverse claim against any of the properties or assets of any member of the Vaalco Consolidated Group under, (A) the certificates of incorporation, bylaws or any other organizational documents of any member of the Vaalco Consolidated Group, or (B) any note, bond, mortgage, indenture, deed of trust, lease, license, agreement, production sharing contract, concession or other instrument or obligation to which any member of the Vaalco Consolidated Group is a party, or by which any member of the Vaalco Consolidated Group or any of its assets are bound, or (ii) violate any order, writ, injunction, decree, judgment, statute, rule or regulation of any governmental body to which any member of the Vaalco Consolidated Group is subject or by which any member of the Vaalco Consolidated Group or any of the assets of the foregoing are bound.

(b) Except as set forth on Schedule 4.5(b), no consent, approval, order, permit or authorization of, or registration, declaration or filing with, any Person or of any Governmental Agency is required for the execution, delivery and performance by Vaalco of this Agreement and the covenants and transactions contemplated hereby or for the execution, delivery and performance by Vaalco of any other agreements entered, or to be entered, into by Vaalco in connection with this Agreement.

SECTION 4.6 CORPORATE DOCUMENTS, STOCKHOLDER AGREEMENTS AND BOARD OF DIRECTORS. Vaalco has delivered to the Fund true and complete copies of its certificate of incorporation and bylaws, as amended or restated through the date of this Agreement. The minute books of each member of the Vaalco Consolidated Group contain reasonably complete and accurate records of all corporate actions of the equity owners of the various entities and of the boards of directors or other governing bodies, including committees of such boards or governing bodies. The stock transfer records of Vaalco are maintained by its transfer agent and registrar and, to the knowledge of Vaalco, contain complete and accurate records of all issuances and redemptions of stock by Vaalco. Except as set forth

on Schedule 4.6, neither Vaalco nor, to the knowledge of Vaalco, any of its Affiliates, is a party to any agreement with respect to the capital stock of Vaalco other than this Agreement.

SECTION 4.7 SEC DOCUMENTS; FINANCIAL STATEMENTS; LIABILITIES.

(a) Except as disclosed to the Fund, since January 1, 1995, Vaalco has filed all reports, schedules, forms, statements and other documents required to be filed with the SEC (the "Vaalco SEC Documents"). The Vaalco SEC Documents, and any such reports, forms and documents filed by Vaalco with the SEC after the date hereof, as amended, complied, or will comply, as to form in all material respects with the requirements of the Securities Act or the Exchange Act, as the case may be, and the rules and regulations of the SEC promulgated thereunder applicable to such Vaalco SEC Documents, and none of the Vaalco SEC Documents contained, any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(b) The Vaalco Financial Statements included in the Vaalco SEC Documents have been audited by Deloitte & Touche, independent accountants (in the case of the Vaalco Audited Financial Statements) in accordance with generally accepted auditing standards, have been prepared in accordance with United States generally accepted accounting principles applied on a basis consistent with prior periods, and present fairly the financial position of Vaalco at such dates and the results of operations and cash flows for the periods then ended, except, in the case of the Vaalco Interim Financial

Statements, as permitted by Regulations S-B and S-X of the SEC. The Vaalco Interim Financial Statements reflect all adjustments (consisting only of normal, recurring adjustments) that are necessary for a fair statement of the results for the interim periods presented therein. Except as set forth on Schedule 4.7, there has not been any Material Adverse Change in the financial condition of Vaalco since December 31, 1996.

(c) The Vaalco Latest Balance Sheet includes appropriate reserves for all Taxes and other liabilities incurred as of such date but not yet payable.

(d) Since the date of the Vaalco Latest Balance Sheet, there has been no change that has had or is likely to have a Material Adverse Effect on Vaalco.

SECTION 4.8 OIL AND GAS PROPERTIES.

(a) Each member of the Vaalco Consolidated Group has good and marketable title to and is possessed of its oil and gas properties and has good title to all of its personal property including concessions, licenses, production sharing contracts, joint operating agreements, and gas contracts, free of any and all adverse claims, rights of others, liens, encumbrances, security interests, contracts, agreements, preferential purchase rights or other restrictions or limitations of any nature or kind except those which are Permitted Encumbrances as defined below. All proceeds from the sale of each member of the Vaalco Consolidated Group's share of the hydrocarbons being produced from its oil and gas properties are currently being paid in full to the Vaalco Consolidated Group by the purchasers thereof on a timely basis and none of such proceeds are currently being held in suspense by such purchaser or any other party. "Permitted Encumbrances" means:

(i) the matters reflected in or otherwise disclosed by the provisions hereof, or the matters referred to therein;

(ii) liens for taxes not yet delinquent;

(iii) mechanics' and materialmen's liens (and other similar liens), and liens under operating and similar agreements, to the extent the same relate to expenses incurred in the ordinary course of business and which are not yet due or are being withheld by law or the validity of which is being contested in good faith by appropriate action; .

(iv) preferential purchase rights and third party consents and transfer restrictions entered into in the ordinary course of business which affect the transferability of interests in the oil and gas properties;

(v) easements, rights-of-way, servitudes, exceptions, encroachments, reservations, restrictions, covenants, conditions or limitations which do not in the aggregate materially interfere with or impair the operation, value or use of the oil and gas properties affected thereby for the purposes for which they have been used by the Vaalco Consolidated Group in the ordinary course of its business;

(vi) rights reserved to, or vested in, or any obligations or duties affecting any of the oil and gas properties, to any public or governmental or regulatory body, agency, department, commission, board, bureau or other authority or instrumentality by the terms of any permit;

(vii) present or future zoning laws and ordinances;

(viii) third party interests and division orders and sales contracts entered into in the ordinary course of business containing such terms and provisions as are typical and customary for the oil and gas industry covering oil, gas or associated liquid or gaseous hydrocarbons, reversionary interests, similar burdens and all contractually binding arrangements to which the oil and gas properties are subject which do not in the aggregate materially interfere or impair the operation, value or use of any of the oil and gas properties for the purposes for which they have been used by the Vaalco Consolidated Group in the ordinary course of its business;

(ix) all other liens, charges, encumbrances, contracts, agreements, instruments, obligations, defects and irregularities affecting the assets of the Vaalco Consolidated Group which individually or in the aggregate are not such as to interfere materially with the operation, value or use of any of the assets of the Vaalco Consolidated Group, do not prevent the Vaalco Consolidated Group from receiving the proceeds of production from any of the oil and gas properties;

(x) rights reserved to or vested in any municipality or governmental, statutory or public authority to control or regulate any asset of the Vaalco Consolidated Group in any manner, and all applicable laws, rules and orders of governmental authority, which do not in the aggregate materially interfere or impair the operation, value or use of any of the oil and gas properties for the purposes for which they have been used by the Vaalco Consolidated Group in the ordinary course of its business; and

(xi) typical and customary agreements among owners of oil and gas interests relating to oil field operations and pipelines which do not in the aggregate materially interfere or impair the operation, value or use of any of the oil and gas properties for the purposes for which they have been used by the Vaalco Consolidated Group in the ordinary course of its business.

(b) Vaalco has delivered to Fund a copy of the reserve report ("Reserve Report") dated as of January 1, 1997, prepared by Netherland, Sewell & Associates, Inc., independent reserve engineers ("Reserve Engineers") relating to the oil and gas reserves of the Vaalco Consolidated Group; provided that Reserves attributable to the properties described on Schedule 4.8(b) have been sold since the date of such Reserve Report. The factual information underlying the estimates of the reserves of the Vaalco Consolidated Group, which was supplied by the Vaalco to the Reserve Engineers for the purpose of preparing the Reserve Report, including, without limitation, production, volumes, sales prices for production, contractual pricing provisions under oil or gas sales or marketing contracts under hedging arrangements, costs of operations and development, and working interest and net revenue information relating to the Vaalco Consolidated Group's ownership interests in properties, was true and correct in all material respects on the date of such Reserve Report; the estimates of future capital expenditures and other future exploration and development costs supplied to the Reserve Engineers were prepared in good faith and with a reasonable basis; the information provided to the Reserve Engineers for purposes of preparing the Reserve Reports were prepared in accordance with customary industry practices; each of the Reserve Engineers were, as of the date of any Reserve Report prepared by it, and are, as of the date hereof, independent petroleum engineers with respect to the Vaalco Consolidated Group; other than normal production of the reserves and intervening oil and gas price fluctuations, Vaalco is not as of the date hereof and as of the date of Closing will not be, aware of any facts or circumstances that would result in a materially adverse change in the reserves in the aggregate, or the aggregate present value of future net cash flows therefrom, as described in the Reserve Reports; estimates of such reserves and the present value of the future net cash flows therefrom in the Reserve Report comply in all material respects to the applicable requirements of Regulation S-X and Industry Guide 2 under the Act;

SECTION 4.9 INVESTMENT COMPANY. Neither Vaalco or any other member of the Vaalco Consolidated Group is an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

SECTION 4.10 PUBLIC UTILITY COMPANY. Neither Vaalco or any other member of the Vaalco Consolidated Group is a "public utility," a "holding company" or a subsidiary or "affiliate" of a public utility within the meaning of the Public Utility Holding Company Act of 1935, as amended.

SECTION 4.11 ENVIRONMENTAL AND SAFETY MATTERS. Except as set forth on Schedule 4.11 hereto and except for such of the following as would not, individually or in the aggregate, have a Material Adverse Effect with respect to the Vaalco Consolidated Group: (i) each member of the Vaalco Consolidated Group is in compliance with all applicable Environmental Laws; (ii) neither Vaalco nor any other member of the Vaalco Consolidated Group has received a notice, report or information regarding any liabilities (whether accrued, absolute, contingent, unliquidated or otherwise), or any corrective, investigatory or remedial obligations, arising under applicable Environmental Laws with respect to its past or present operations or properties; (iii) Vaalco or another member of

the Vaalco Consolidated Group has obtained, and is and has been in compliance with all terms and conditions of, all permits, licenses and other authorizations required pursuant to Environmental Laws for its occupation of the real property owned by the Vaalco Consolidated Group ("Owned Property") the property leased by the Vaalco Consolidated Group ("Leased Property") and the other assets and operations of the Vaalco Consolidated Group and the conduct of their business; (iv) the transactions contemplated by this Agreement do not impose any obligations under Environmental Laws for the site investigation or cleanup or notification to or consent of any governmental agencies or third parties; and (v) no member of the Vaalco Consolidated Group has any contingent liability which is material to the Vaalco Consolidated Group as a whole in connection with the release of any Hazardous Materials into the environment in violation of any Environmental Law. Vaalco has made available to the Fund true, complete and correct copies of all environmental reports, analyses, tests or monitoring in the possession of the Vaalco during the past two years pertaining to any Owned Property or Leased Property. As used in this Agreement, "ENVIRONMENTAL LAWS" shall mean all material federal, foreign, state or local statutes, laws, codes, rules, regulations, ordinances, orders, permits, licenses or requirements relating to public or employee health and safety, including without limitation, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. ss. 9601 et seq., the Resource Conservation and Recovery Act, 42 U.S.C. ss. 6901 et seq., the Emergency Planning and Community Right to Know Act, 42 U.S.C. ss. 11001 et seq., the Clean Air Act, 42 U.S.C. ss. 7401 et seq., the Federal Water Pollution Control Act, 33 U.S.C. ss. 1251 et seq., the Toxic Substances Control Act, 15 U.S.C. ss. 2601 et seq., the Safe Drinking Water Act, 42 U.S.C. ss. 300F et seq., and the Occupational Safety and Health Act, 29

U.S.C. ss. 651 et seq. As used in this Agreement, "Hazardous Materials" means those substances which are regulated by or form the basis of liability under Environmental Laws.

SECTION 4.12 TAX MATTERS.

(a) Each of the following is true with respect to each member of the Vaalco Consolidated Group to the extent applicable to such member:

(i) all Returns have been or will be timely filed by each member of the Vaalco Consolidated Group when due in accordance with all applicable laws; all Taxes shown on the Returns have been or will be timely paid when due; the Returns have been properly completed in compliance with all applicable laws and regulations and completely and accurately reflect the facts regarding the income, expenses, properties, business and operations required to be shown thereon; the Returns are not subject to penalties under Section 6662 of the Code (or any corresponding provision of state, local or foreign tax law);

(ii) except as set forth on Schedule 4.12(a)(ii), each member of the Vaalco Consolidated Group has paid all Taxes required to be paid by it (whether or not shown on a Return) or for which it could be liable (provided that it shall not be considered a breach of this representation if it is ultimately determined that additional tax payments are due but such assessment is based on an adjustment to a return or position, if such member has a reasonable basis for the position taken with respect to such Taxes), whether to taxing authorities or to other persons under tax allocation agreements or otherwise, and the charges, accruals, and reserves for Taxes

due, or accrued but not yet due, relating to its income, properties, transactions or operations for any Pre-Closing Period as reflected on its books (including, without limitation, the Vaalco's Latest Balance Sheet) are adequate to cover such Taxes;

(iii) there are no agreements or consents currently in effect for the extension or waiver of the time (A) to file any Return or (B) for assessment or collection of any taxes relating to the income, properties or operations of any member of the Vaalco Consolidated Group for any Pre-Closing Period, and no member the Vaalco Consolidated Group has been requested to enter into any such agreement or consent;

(iv) there are no Liens for Taxes (other than for current Taxes not yet due and payable) upon the assets of any member of the Vaalco Consolidated Group; and

(v) to the knowledge of Vaalco, each member of the Vaalco Consolidated Group has complied in all material respects with all applicable tax laws.

SECTION 4.13 LITIGATION. Except as disclosed on Schedule 4.13, there are no actions, suits, proceedings, arbitrations or investigations pending or, to the knowledge of Vaalco, threatened before any court, any governmental agency or instrumentality or any arbitration panel, against or affecting any member of the Vaalco Consolidated Group. To the knowledge of Vaalco, no facts or circumstances exist that would be likely to result in the filing of any such action that would have a Material Adverse Effect on Vaalco. Except as disclosed on Schedule 4.13, no member of the Vaalco Consolidated Group is subject to any currently pending judgment, order or decree entered in any lawsuit or proceeding.

SECTION 4.14 BROKER'S AND FINDER'S FEE. No agent, broker, Person or firm acting on behalf of Vaalco is or will be entitled to any commission or broker's or finder's fee from any member of the Vaalco Consolidated Group in connection with any of the transactions contemplated herein.

SECTION 4.15 ABSENCE OF SENSITIVE PAYMENTS. No member of the Vaalco Consolidated Group or any Affiliate thereof or any officer or director of any of them acting alone or together, has performed any of the following acts: (i) the making of any contribution, payment, remuneration, gift or other form of economic benefit (a "Payment") to or for the private use of any governmental official, employee or agent where the Payment or the purpose of the Payment was illegal under the laws of the United States or the jurisdiction in which such payment was made, (ii) the establishment or maintenance of any unrecorded fund, asset or liability for any purpose or the making of any false or artificial entries on its books, (iii) the making of any Payment or the receipt of any Payment with the intention or understanding that any part of the Payment was to be used for any purpose other than that described in the documents supporting the Payment, or (iv) the giving of any Payment to, or the receipt of any Payment from, any person who was or could have been in a position to help or hinder the business of the Vaalco Consolidated Group (or assist any member of the Vaalco Consolidated Group in connection with any actual or proposed transaction) which (A) would reasonably have been expected to subject any member of the Vaalco Consolidated Group to any damage or penalty in any civil, criminal or governmental litigation or proceeding, (B) if not given in the past, would have

had a Material Adverse Effect on the Vaalco Consolidated Group or (C) if not continued in the future, would have a Material Adverse Effect on the Vaalco Consolidated Group.

SECTION 4.16 COMPLIANCE WITH LAW. Except as set forth on Schedule 4.16 hereto, no member of the Vaalco Consolidated Group is in violation of any statute, law, ordinance, regulation, rule or order of any foreign, United States federal, or state or local Governmental Authority or any judgment, decree or order of any court, except where any such violation would not, individually or in the aggregate, have a Material Adverse Effect on the Vaalco Consolidated Group. Except as set forth on Schedule 4.16, each member of the Vaalco Consolidated Group has all permits, approvals, licenses and franchises from Governmental Authorities required to conduct its business as now being conducted, except for such permits, approvals, licenses and franchises the absence of which would not, individually or in the aggregate, have a Material Adverse Effect on the Vaalco Consolidated Group.

SECTION 4.17 CONTRACTS. (a) Schedule 4.17 sets forth, as of the date hereof, a list of all of the following material contracts and other agreements to which any member of the Vaalco Consolidated Group is a party or by which any of them or any material portion of their properties or assets are bound or subject (other than those set forth on any other Schedule): (i) contracts, severance agreements and other agreements with any current or former officer, director, employee, consultant, agent or other representative; (ii) contracts and other agreements with any labor union or association representing any employee of the Vaalco Consolidated Group; (iii) contracts, agreements or other agreements relating to the Vaalco Consolidated Group between any member of the Vaalco Consolidated Group, on the one hand, and any stockholder or any of his, her or its Affiliates on the other hand; (iv) joint venture agreements; (v) contracts and other agreements under which any member of the Vaalco Consolidated Group agrees to indemnify any party; (vi) contracts and other agreements relating to the borrowing of money; or (vii) any other material contract or other agreement whether or not made in the ordinary course of business. There have been delivered or made available to the Fund true and complete copies of all such contracts and other agreements set forth on Schedule 4.17.

(b) All contracts, agreements and understandings set forth on Schedule 4.17 are valid and binding and are in full force and effect and enforceable in accordance with their respective terms other than contracts, agreements or understandings which are by their terms no longer in force or effect. Except as set forth on Schedule 4.17 (or on another Schedule), (i) no approval or consent of, or notice to, any Person is needed in order that such contract, agreement or understanding shall continue in full force and effect in accordance with its terms without penalty, acceleration or rights of early termination following the consummation of the transactions contemplated by this Agreement, and (ii) no member of the Vaalco Consolidated Group is in violation or breach of or default under any such contract, agreement or understanding nor to the knowledge of Vaalco is any other party to any such contract, agreement or understanding.

SECTION 4.18 EMPLOYMENT PLANS/EMPLOYMENT AGREEMENTS

(a) Schedule 4.18 contains a true and complete list of each "employee benefit plan" (within the meaning of section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), including, without limitation, multiemployer plans within the meaning of ERISA section 3(37)), stock purchase, stock option, severance, employment, change-in-control, fringe benefit, welfare benefit,

collective bargaining, bonus, incentive, deferred compensation and all other employee benefit plans, agreements, programs, policies or other arrangements, whether or not subject to ERISA (including any funding mechanism therefor now in effect or required in the future as a result of the transaction contemplated by this Agreement or otherwise), whether formal or informal, oral or written, legally binding or not, under which any employee or former employee of a member of the Vaalco Consolidated Group has any present or future right to benefits or under which a member of the Vaalco Consolidated Group has any present or future liability. All such plans, agreements, programs, policies and arrangements shall be collectively referred to as the "Vaalco Plans".

(b) With respect to each Vaalco Plan, Vaalco has delivered to the Fund a current, accurate and complete copy (or, to the extent no such copy exists, an accurate description) thereof and, to the extent applicable: (i) any related trust agreement or other funding instrument; (ii) the most recent determination letter, if applicable; (iii) any summary plan description and other written communications (or a description of any oral communications) by any member of the Vaalco Consolidated Group to its employees concerning the extent of the benefits provided under a Vaalco Plan; and (iv) for the three most recent ears (A) the Form 5500 and attached schedules, (B) audited financial statements, and (C) attorney's response to an auditor's request for information.

(c) (i) Each Vaalco Plan has been established and administered in

all material respects in accordance with its terms, and in compliance with the applicable provisions of ERISA, the Code and other applicable laws, rules and regulations; (ii) each Vaalco Plan which is intended to be qualified within the meaning of Code section 401(a) is so qualified and has received a favorable determination letter as to its qualification, and to the knowledge of Vaalco nothing has occurred, whether by action or failure to act, that could reasonably be expected to cause the loss of such qualification; (iii) for each Vaalco Plan that is a "welfare plan" within the meaning of ERISA section 3(1), no member of the Vaalco Consolidated Group has or will have any liability or obligation under any plan which provides medical or death benefits with respect to current or former employees of a member of the Vaalco Consolidated Group beyond their termination of employment (other than coverage mandated by law); (iv) to the knowledge of Vaalco no event has occurred and no condition exists that would subject any member of Vaalco Consolidated Group, either directly or by reason of their affiliation with any member of their "Controlled Group" (defined as any organization which is a member of a controlled group of organizations within the meaning of Code sections 414(b), (c), (m) or (o)), to any tax, fine, lien, penalty or other liability imposed by ERISA, the Code or other applicable laws, rules and regulations; (v) for each Vaalco Plan with respect to which a Form 5500 has been filed, no material change has occurred with respect to the matters covered by the most recent Form since the date thereof; and (vi) to the best knowledge of Vaalco, no non-exempt "prohibited transaction" (as such term is defined in ERISA section 406 and Code section 4975) has occurred with respect to any Vaalco Plan which has resulted to or could reasonably be expected to result in a Material Adverse Effect.

(d) None of the Vaalco Plans is subject to Title IV of ERISA or is a multiemployer plan within the meaning of Section 4001(a)(3) of ERISA.

(e) With respect to any Vaalco Plan, (i) no actions, suits or claims (other than routine claims for benefits in the ordinary course) are pending or, to the best knowledge of Vaalco, threatened, which have resulted or could reasonably be expected to

result in a Material Adverse Effect and (ii) to the best knowledge of Vaalco, no facts or circumstances exist that could give rise to any such actions, suits or claims.

(f) No Vaalco Plan exists that could result in the payment to any present or former employee of a member of the Vaalco Consolidated Group or any money or other property or accelerate or provide any other rights or benefits to any present or former employee of a member of the Vaalco Consolidated Group as a result of the transaction contemplated by this Agreement, whether or not such payment would constitute a parachute payment within the meaning of Code Section 280G.

SECTION 4.19 ABSENCE OF CERTAIN CHANGES OR EVENTS. Since the date of the Vaalco Latest Balance Sheet, each member of the Vaalco Consolidated Group has conducted its business only in the ordinary course, and has not:

(a) amended its certificate of incorporation, bylaws or similar organizational documents;

(b) merged or consolidated with another entity (other than a subsidiary) or acquired or agreed to acquire any business or any corporation, partnership or other business organization, or sold, leased, transferred or otherwise disposed of any material portion of its assets except for fair value in the ordinary course of business;

(c) suffered any damage, destruction or loss (whether or not covered by insurance) which has had or could have a Material Adverse Effect on the Vaalco Consolidated Group;

(d) suffered the termination, suspension or revocation of any license or permit necessary for the operation of its business;

(e) entered into any transaction other than on an arm's-length basis;

(f) declared or paid any dividend or made any distribution with respect to any of its equity interests, or redeemed, purchased or otherwise acquired any of its equity interests, or issued, sold or granted any equity interests or any option, warrant or other right to purchase or acquire any such interest; or

(g) agreed, whether or not in writing, to do any of the foregoing.

SECTION 4.20 INVESTMENT EXPERIENCE. Vaalco is an "accredited investor" as defined in Rule 501(a) of the Securities Act.

SECTION 4.21 PURCHASE FOR OWN ACCOUNT. The Company Shares to be acquired by Vaalco pursuant to this Agreement are being acquired for its own account and with no intention of distributing or reselling the Company Shares or any part thereof in any transaction that would be violation of the securities laws of the

United States of America, or any state, without prejudice, however, to the rights of Vaalco at all times to sell or otherwise dispose of all or any part of the Company Shares under an effective registration statement under the Securities Act, or under an exemption from such registration available under the Securities Act, and subject, nevertheless, to the disposition of the Vaalco's property being at all times within its control. If Vaalco should in the future decide to dispose of any of the Company Shares, Vaalco understands and agrees that it may do so

only in compliance with the Securities Act and applicable state securities laws, as then in effect, and that stop-transfer instructions to that effect, where applicable, will be in effect with respect to the Company Shares. Vaalco agrees to the imprinting, so long as required by law, of a legend on the Company Shares as stated in Section 2.2 hereof.

SECTION 4.22 SETTLEMENT PAYMENTS. Schedule 4.22 sets forth all amounts payable by any member of the Vaalco Consolidated Group to any Person in settlement of or otherwise in connection with any and all claims, actions, disputes or arbitration proceedings relating in any manner to Service Contract 14 in the Philippines including, without limitation, those claims and disputes relating to such Service Contract 14 described in the Quarterly Report on Form 10-QSB filed by Vaalco with the SEC on November 14, 1997.

SECTION 4.23 VAALCO'S ASSETS. The assets of Vaalco and of its subsidiaries consist solely of (i) reserves of oil, rights to reserves of oil and associated exploration and production assets with a fair market value not exceeding $500 million and (ii) other assets with a fair market value not exceeding $15 million. For purposes of this Section 4.23, the term "associated exploration and production assets" shall have the meaning ascribed thereto in Section 802.3 of the Rules promulgated pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976 ("HSR Act").

ARTICLE 5. REPRESENTATIONS AND WARRANTIES OF FUND

The Fund represents and warrant to Vaalco, as of the date hereof that, except as set forth in the Schedules numbered to correspond to the applicable representation or warranty:

SECTION 5.1 ORGANIZATION. The Company is duly organized, validly existing and in good standing under the laws of the State of Delaware and has all corporate power and authority to carry on its business as now being conducted and to own its properties. The Company is duly qualified to do business and is in good standing in each state and foreign jurisdiction in which the character or location of the properties owned or leased by it or the nature of the business conducted by it makes such qualification necessary, except where the failure to be so qualified or in good standing would not have a Material Adverse Effect on the Company.

SECTION 5.2 AFFILIATED ENTITIES. The Company has no subsidiaries. Except for the Hunt Interest (as defined herein), the Company does not, directly or indirectly, own of record or beneficially, or have the right or obligation to acquire, any outstanding securities or other interest in any corporation, partnership, joint venture or other entity.

SECTION 5.3 CAPITALIZATION.

(a) The authorized capital stock of the Company consists exclusively of 1,000 shares of common stock, of which only the Company Shares are outstanding as of the date hereof. All of such Company shares have been validly issued, are fully paid and nonassessable and were issued free of preemptive rights, in compliance with any rights of first refusal, and in compliance with all legal requirements. No share of capital stock of Company has been, or may be required to be, reacquired by Company for any reason or is, or may be required to be, issued by Company for any reason, including,

without limitation, by reason of any option, warrant, security or right convertible into or exchangeable for such shares, or any agreement to issue any of the foregoing.

(b) As of the Closing, the Fund shall own, free and clear of any Liens, the Company Shares and, upon delivery of and payment for such Company Shares as herein provided, the Fund will convey to Vaalco good and valid title thereto, free and clear of any Liens.

SECTION 5.4 SELLER STATUS. The Fund is a limited partnership, duly organized and existing under the laws of the state of Delaware. The Fund has the power and authority to own and operate its properties and to conduct its business as now conducted, or proposed to be conducted.

SECTION 5.5 AUTHORITY; ENFORCEABLE AGREEMENTS.

(a) Each of Fund and the Company has the requisite corporate power and authority to enter into this Agreement and to consummate the transactions

described herein. The execution and delivery of this Agreement by the Company and Fund and the consummation by the Company and Fund of the transactions described herein have been duly authorized by all necessary corporate action on the part of the Company and Fund.

(b) This Agreement has been duly executed and delivered by the Company and Fund, and (assuming due execution and delivery by the other parties thereto) constitutes a valid and binding obligation of Fund and the Company, enforceable against the Company and the Fund, as the case may be, in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and general principles of equity. The other agreements entered, or to be entered, into by the Company and Fund in connection with this Agreement have been, or will be, duly executed and delivered by the Company and Fund, and (assuming due execution and delivery by the other parties thereto) constitute, or will constitute, valid and binding obligations of the Company and Fund, enforceable against the Company and the Fund, as the case may be, in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and general principles of equity.

SECTION 5.6 NO CONFLICTS OR CONSENTS.

(a) Neither the execution, delivery or performance of this Agreement by Fund or the Company nor the consummation of the transactions contemplated hereby will (i) violate, conflict with, or result in a breach of any provision of, constitute a default (or an event that, with notice or lapse of time or both, would constitute a default) under, result in the termination of, or accelerate the performance required by, or result in the creation of any adverse claim against any of the properties or assets of the Company under, (A) the certificate of incorporation or bylaws of the Company, or (B) any note, bond, mortgage, indenture, deed of trust, lease, license, agreement, concession, production sharing agreement or other instrument or obligation to which the Company, is a party, or by which the Company or any of its assets are bound, or (ii) violate any order, writ, injunction, decree, judgment, statute, rule or regulation of any Governmental Authority to which the Company is subject or by which the Company or any of its assets of the foregoing are bound.

(b) Except with respect to filings which may be required under HSR Act and the consent of Hunt (as defined herein) to the transactions contemplated under this Agreement, no consent, approval, order, permit or authorization of, or registration, declaration or filing with, any Person or of any Governmental Authority is required for the execution, delivery and performance by the Company and Fund of this Agreement and the covenants and transactions contemplated hereby or for the execution, delivery and performance by the Company and Fund of any other agreements entered, or to be entered, into by the Company or Fund in connection with this Agreement.

SECTION 5.7 CORPORATE DOCUMENTS, STOCKHOLDER AGREEMENTS AND BOARD OF DIRECTORS. Fund has delivered to Vaalco true and complete copies of the Company's certificate of incorporation and bylaws, as amended or restated through the date of this Agreement. The minute books of the Company contain reasonably complete and accurate records of all corporate actions of the equity owners of the Company and of the boards of directors of the Company, including committees of such board. The stock transfer records of the Company contain complete and accurate records of all issuances and redemptions of stock by Company. Except for subscription agreements listed in Schedule 5.7, neither the Company nor any of its Affiliates is a party to any agreement with respect to the capital stock of the Company other than this Agreement.

SECTION 5.8 FINANCIAL STATEMENTS; LIABILITIES.

(a) The Company Financial Statements attached hereto as Schedule 5.8 have been audited by certified public accountants in accordance with generally accepted auditing standards, have been prepared in accordance with United States generally accepted accounting principles and, except as disclosed therein, applied on a basis consistent with prior periods, and present fairly the financial position of the Company at such dates and the results of operations and cash flows for the periods then ended. The Company Interim Financial Statements reflect all adjustments (consisting only of normal recurring adjustments) that are necessary for a fair statement of the results for the interim periods presented therein. There has not been a Material Adverse Change in the financial condition of the Company since December 31, 1997.

(b) The Company Latest Balance Sheet includes appropriate reserves for all Taxes and other liabilities incurred as of such date but not yet payable.

(c) Since the date of the Company Latest Balance Sheet, there has been no change that has had or is likely to have a Material Adverse Effect on the Company.

SECTION 5.9 ABSENCE OF CERTAIN CHANGES OR EVENTS. Since the date of the Company Latest Balance Sheet, the Company has conducted its business only in

the ordinary course, and has not:

(a) amended its certificate of incorporation, bylaws or similar organizational documents;

(b) merged or consolidated with another entity (other than a subsidiary) or acquired or agreed to acquire any business or any corporation, partnership or other business organization, or sold, leased, transferred or otherwise disposed of any material portion of its assets except for fair value in the ordinary course of business;

(c) suffered any damage, destruction or loss (whether or not covered by insurance) which has had or could have a Material Adverse Effect on the Company;

(d) suffered the termination, suspension or revocation of any license or permit necessary for the operation of its business;

(e) entered into any transaction other than on an arm's-length basis;

(f) declared or paid any dividend or made any distribution with respect to any of its equity interests, or redeemed, purchased or otherwise acquired any of its equity interests, or issued, sold or granted any equity interests or any option, warrant or other right to purchase or acquire any such interest; or

(g) agreed, whether or not in writing, to do any of the foregoing.

SECTION 5.10 INVESTMENT EXPERIENCE. The Fund is an "accredited investor" as defined in Rule 501(a) of the Securities Act.

SECTION 5.11 PURCHASE FOR OWN ACCOUNT. The Vaalco Shares to be acquired by the Fund pursuant to this Agreement are being acquired for its own account and with no intention of distributing or reselling the Vaalco Shares or any part thereof in any transaction that would be in violation of the securities laws of the United States of America, or any state, without prejudice, however, to the rights of the Fund at all times to sell or otherwise dispose of all or any part of the Vaalco Shares under an effective registration statement under the Securities Act, or under an exemption from such registration available under the Securities Act, and subject, nevertheless, to the disposition of the Fund's property being at all times within its control. If the Fund should in the future decide to dispose of any of the Vaalco Shares, the Fund understands and agrees that it may do so only in compliance with the Securities Act and applicable state securities laws, as then in effect, and that stop-transfer instructions to that effect, where applicable, will be in effect with respect to the Vaalco Shares. The Fund agrees to the imprinting, so long as required by law, of a legend on the Vaalco Shares as stated in Section 2.2 hereof.

SECTION 5.12 HUNT OVERSEAS EXPLORATION COMPANY, L.P.

(a) The Company owns a limited partner interest ("Hunt Interest") in Hunt Overseas Exploration Company, L.P. ("Hunt") free and clear of any Lien. Subject to the provisions of the Agreement of Partnership, the Hunt Interest entitles the Company to a 7.5% interest in the income, gain and revenue of Hunt. Hunt is a limited partnership, duly organized, existing and in good standing under the laws of the state of Delaware. The Company has delivered to Vaalco a copy of the Agreement of Partnership, and all amendments thereto, for Hunt. The sale and transfer of the Company Shares does not violate the terms and provisions of the Agreement of Partnership of Hunt.

(b) Except for the Agreement of Partnership for Hunt and the Subscription Agreement for Limited Partner Interest in Hunt Overseas Exploration Company, L.P., dated as of September 13, 1995, executed by the Company and accepted by Hunt Overseas Operating Company, a Delaware corporation ("HOOC"), and Hunt pursuant to a Letter, dated as of September 13, 1995 from HOOC (for itself and as

managing partner of Hunt) to the Company, the Company has no obligation, liability or responsibility with respect to Hunt.

SECTION 5.13 EMPLOYEES. The Company does not have and has never had any employees.

SECTION 5.14 LITIGATION. Except as listed on Schedule 5.14, there are no actions, suits, proceedings, arbitrations or investigations pending or, to the knowledge of the Company, threatened, before any court, any governmental agency or instrumentality or any arbitration panel, against or affecting the Company, and to the knowledge of the Company no facts or circumstances exist that would be likely to result in the filing of any such action that would have a Material Adverse Effect on the Company. The Company is not subject to any currently pending judgment, order or decree entered in any lawsuit or proceeding.

SECTION 5.15 CONTRACTS. (a) Schedule 5.15 sets forth, as of the date hereof, a list of all of the following material contracts and other agreements to which the Company is a party or by which it or any material portion of its properties or assets are bound or subject (other than those set forth on any other Schedule): (i) contracts, severance agreements and other agreements with any current or former officer, director, employee, consultant, agent or other representative; (ii) contracts and other agreements with any labor union or association representing any employee of the Company; (iii) contracts, agreements or other agreements relating to the Company between the Company, on the one hand, and any stockholder or any of his, her or its Affiliates on the other hand; (iv) joint venture agreements; (v) contracts and other agreements under which the Company agrees to indemnify any party; (vi) contracts and other agreements relating to the borrowing of money; or (vii) any other material contract or other agreement whether or not made in the ordinary course of business. There have been delivered or made available to Vaalco true and complete copies of all such contracts and other agreements set forth on Schedule 5.15.

(b) All contracts, agreements and understandings set forth on Schedule 5.15 are valid and binding and are in full force and effect and enforceable in accordance with their respective terms other than contracts, agreements or understandings which are by their terms no longer in force or effect. Except as set forth on Schedule 5.15 (or on another Schedule), (i) no approval or consent of, or notice to, any Person is needed in order that such contract, agreement or understanding shall continue in full force and effect in accordance with its terms without penalty, acceleration or rights of early termination following the consummation of the transactions contemplated by this Agreement, and (ii) the Company is not in violation or breach of or default under any such contract, agreement or understanding nor to the knowledge of the Fund is any other party to any such contract, agreement or understanding.

SECTION 5.16 INVESTMENT COMPANY. The Company is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

SECTION 5.17 PUBLIC UTILITY COMPANY. The Company is not a "public utility," a "holding company" or a subsidiary or "affiliate" of a public utility within the meaning of the Public Utility Holding Company Act of 1935, as amended.

SECTION 5.18 ENVIRONMENTAL AND SAFETY MATTERS. Except as set forth on Schedule 5.18 hereto and except for such of the following as would not, individually or in the

aggregate, have a Material Adverse Effect with respect to the Company: (i) the Company is in compliance with all applicable Environmental Laws; (ii) the Company has not received a notice, report or information regarding any liabilities (whether accrued, absolute, contingent, unliquidated or otherwise), or any corrective, investigatory or remedial obligations, arising under applicable Environmental Laws with respect to its past or present operations or properties; (iii) the Company has obtained, and is and have been in compliance with all terms and conditions of, all permits, licenses and other authorizations required pursuant to Environmental Laws for its occupation of the real property owned by the Company ("Company Owned Property") the property leased by the Company ("Company Leased Property") and the other assets and operations of the Company and the conduct of its business; (iv) the transactions contemplated by this Agreement do not impose any obligations under Environmental Laws for the site investigation or cleanup or notification to or consent of any governmental agencies or third parties; and (v) the Company does not have any contingent liability which is material to the Company in connection with the release of any Hazardous Materials into the environment in violation of any Environmental Law. The Company has made available to Vaalco true, complete and correct copies of all environmental reports, analyses, tests or monitoring in the possession of the Company during the past two years pertaining to any Company Owned Property or Company Leased Property.

SECTION 5.19 TAX MATTERS.

(a) Each of the following is true with respect to the Company to the extent applicable:

(i) all Returns have been or will be timely filed by the Company when due in accordance with all applicable laws; all Taxes shown on the Returns have been or will be timely paid when due; the Returns have been properly completed in compliance with all applicable laws and regulations and completely and accurately reflect the facts regarding the income, expenses, properties, business and operations required to be shown thereon; the Returns are not subject to penalties under Section 6662 of the Code (or any corresponding provision of state, local or foreign tax law);

(ii) except as set forth on Schedule 5.19(a)(ii), the Company has paid all Taxes required to be paid by it (whether or not shown on a Return) or for which it could be liable (provided that it shall not be considered a breach of this representation if it is ultimately determined

that additional tax payments are due but such assessment is based on an adjustment to a return or position, if such member has a reasonable basis for the position taken with respect to such Taxes), whether to taxing authorities or to other persons under tax allocation agreements or otherwise, and the charges, accruals, and reserves for Taxes due, or accrued but not yet due, relating to its income, properties, transactions or operations for any Pre-Closing Period as reflected on its books (including, without limitation, the Company's Latest Balance Sheet) are adequate to cover such Taxes;

(iii) there are no agreements or consents currently in effect for the extension or waiver of the time (A) to file any Return or (B) for assessment or collection of any taxes relating to the income, properties or

operations of the Company for any Pre-Closing Period, and the Company has not been requested to enter into any such agreement or consent;

(iv) there are no Liens for Taxes (other than for current Taxes not yet due and payable) upon the assets of the Company; and

(v) to the knowledge of the Fund, the Company has complied in all material respects with all applicable tax laws.

SECTION 5.20 BROKER'S AND FINDER'S FEE. No agent, broker, Person or firm acting on behalf of the Fund or Company is or will be entitled to any commission or broker's or finder's fee from the Company in connection with any of the transactions contemplated herein.

SECTION 5.21 ABSENCE OF SENSITIVE PAYMENTS. Neither the Company nor any Affiliate thereof nor any officer or director of any of them acting alone or together, has performed any of the following acts: (i) the making of any Payment to or for the private use of any governmental official, employee or agent where the Payment or the purpose of the Payment was illegal under the laws of the United States or the jurisdiction in which such payment was made, (ii) the establishment or maintenance of any unrecorded fund, asset or liability for any purpose or the making of any false or artificial entries on its books, (iii) the making of any Payment or the receipt of any Payment with the intention or understanding that any part of the Payment was to be used for any purpose other than that described in the documents supporting the Payment, or (iv) the giving of any Payment to, or the receipt of any Payment from, any person who was or could have been in a position to help or hinder the business of the Company (or assist the Company in connection with any actual or proposed transaction) which (A) would reasonably have been expected to subject the Company to any damage or penalty in any civil, criminal or governmental litigation or proceeding, (B) if not given in the past, would have had a Material Adverse Effect on the Company or (C) if not continued in the future, would have a Material Adverse Effect on the Company.

SECTION 5.22 COMPLIANCE WITH LAW. Except as set forth on Schedule 5.22 hereto, the Company is not in violation of any statute, law, ordinance, regulation, rule or order of any foreign, United States federal, or state or local Governmental Authority or any judgment, decree or order of any court, except where any such violation would not, individually or in the aggregate, have a Material Adverse Effect on the Company. Except as set forth on Schedule 5.22, the Company has all permits, approvals, licenses and franchises from Governmental Authorities required to conduct its business as now being conducted, except for such permits, approvals, licenses and franchises the absence of which would not, individually or in the aggregate, have a Material Adverse Effect on the Company.

SECTION 5.23 EMPLOYMENT PLANS/EMPLOYMENT AGREEMENTS.

(a) Schedule 5.23 contains a true and complete list of each "employee benefit plan" (within the meaning of section 3(3) of ERISA, including, without limitation, multiemployer plans within the meaning of ERISA section 3.(37)), stock purchase, stock option, severance, employment, change-in-control, fringe benefit, welfare benefit, collective bargaining, bonus, incentive, deferred compensation and all other employee benefit plans, agreements, programs, policies or other arrangements, whether or not

subject to ERISA (including any funding mechanism therefor now in effect or required in the future as a result of the transaction contemplated by this Agreement or otherwise), whether formal or informal, oral or written, legally binding or not, under which any employee or former employee of the Company has any present or future right to benefits or under which the Company has any present or future liability. All such plans, agreements, programs, policies and arrangements shall be collectively referred to as the "Company Plans."

(b) With respect to each Company Plan, the Company has delivered to Vaalco a current, accurate and complete copy (or, to the extent no such copy exists, an accurate description) thereof and, to the extent applicable: (i) any related trust agreement or other funding instrument; (ii) the most recent

determination letter, if applicable; (iii) any summary plan description and other written communications (or a description of any oral communications) by the Company to its employees concerning the extent of the benefits provided under a Company Plan; and (iv) for the three most recent ears (A) the Form 5500 and attached schedules, (B) audited financial statements, (c) actuarial valuation reports and (D) attorney's response to an auditor's request for information.

(c) (i) Each Company Plan has been established and administered in all material respects in accordance with its terms, and in compliance with the applicable provisions of ERISA, the Code and other applicable laws, rules and regulations; (ii) each Company Plan which is intended to be qualified within the meaning of Code section 401(a) is so qualified and has received a favorable determination letter as to its qualification, and nothing has occurred, whether by action or failure to act, that could reasonably be expected to cause the loss of such qualification; (iii) for each Company Plan that is a "welfare plan" within the meaning of ERISA section 3(1), the Company has no or will not have any liability or obligation under any plan which provides medical or death benefits with respect to current or former employees of the Company beyond their termination of employment (other than coverage mandated by law); (iv) to the knowledge of the Company no event has occurred and no condition exists that would subject the Company, either directly or by reason of their affiliation with any member of their "Controlled Group" (defined as any organization which is a member of a controlled group of organizations within the meaning of Code sections 414(b), (c), (m) or (o)), to any tax, fine, lien, penalty or other liability imposed by ERISA, the Code or other applicable laws, rules and regulations; (v) for each Company Plan with respect to which a Form 5500 has been filed, no material change has occurred with respect to the matters covered by the most recent Form since the date thereof; and (vi) to the knowledge of the Company no "reportable event" (as such term is defined in ERISA section 4043), "prohibited transaction" (as such term is defined in ERISA section 406 and Code section 4975) or "accumulated funding deficiency" (as such term is defined in ERISA section 302 and Code Section 412 (whether or not waived)) has occurred with respect to any Company Plan which has resulted or could reasonably be expected to result in a Material Adverse Effect.

(d) None of the Company Plans is subject to Title IV of ERISA or is a multiemployer plan within the meaning of Section 4001(a)(3) of ERISA.

(e) With respect to any Company Plan, (i) no actions, suits or claims (other than routine claims for benefits in the ordinary course) are pending or, to the best knowledge of the Company, threatened which have resulted or could reasonably be expected to result in a Material Adverse Effect, and (ii) to the best knowledge of the

Company, no facts or circumstances exist that could give rise to any such actions, suits or claims.

(f) No Company Plan exists that could result in the payment to any present or former employee of the Company or any money or other property or accelerate or provide any other rights or benefits to any present or former employee of the Company as a result of the transaction contemplated by this Agreement, whether or not such payment would constitute a parachute payment within the meaning of Code Section 280G.

SECTION 5.24 HUNT REPRESENTATIONS. Except as expressly set forth in Section 5.12, the Fund and the Company make no representation or warranty, either directly or indirectly or express or implied, as to any matters whatsoever with respect to Hunt or Hunt's operations and assets.

ARTICLE 6. COVENANTS

SECTION 6.1 COOPERATION AND BEST EFFORTS. Each party shall cooperate with the other and use its reasonable efforts to (i) receive all necessary and appropriate consents of third parties to the transactions contemplated hereunder, (ii) satisfy all requirements prescribed by law for, and all conditions set forth in this Agreement to, the consummation of the transactions provided from here; PROVIDED, that no party shall be required to pay any amount of money in connection with its or any other parties obtaining any consent pursuant to clause (i) of this Section 6.1.

SECTION 6.2 CONDUCT OF BUSINESS BY BOTH PARTIES PRIOR TO THE CLOSING DATE. During the period from the date of this Agreement to the Closing, the Company and Vaalco shall each use its reasonable best efforts to preserve the goodwill of suppliers, general partners, customers and others having business relations with them and to do nothing knowingly to impair their ability to keep and preserve their businesses as it exists on the date of this Agreement. Without limiting the generality of the foregoing, during the period from the date of this Agreement to the Closing each of the Company and Vaalco shall not, without the prior written consent of the other:

(a) declare, set aside, increase or pay any dividend (including any stock dividends), or declare or make any distribution on, or directly or indirectly combine, redeem, reclassify, purchase, or otherwise acquire, any

shares of its capital stock or authorize the creation or issuance of, or issue, deliver or sell any additional shares of its capital stock or any securities or obligations convertible into or exchangeable for its capital stock or effect any stock split or reverse stock split or other recapitalization.

(b) amend its certificate of incorporation or by-laws otherwise than as contemplated by this Agreement;

(c) pledge or otherwise encumber any shares of its capital stock, any other voting securities or any securities convertible into, or any rights, warrants or options to acquire, any such shares, or any other voting securities or convertible securities;

(d) commit or omit to do any act which act or omission would cause a breach of any covenant contained in this Agreement or would cause any representation or warranty contained in this Agreement to become untrue, as if each such representation and warranty were continuously made from and after the date hereof;

(e) violate any applicable law, statute, rule, governmental regulation or order;

(f) fail to maintain its books, accounts and records in the usual manner on a basis consistent with that heretofore employed;

(g) fail to pay, or to make adequate provision in all material respects for the payment of, all Taxes, interest payments and penalties due and payable (for all periods up to the date of Closing, including that portion of its fiscal year to and including the date of Closing) to any city, parish, county, state, the United States, foreign or any other taxing authority, except those being contested in good faith by appropriate proceedings and for which sufficient reserves have been established, or make any elections with respect to taxes;

(h) make any material Tax election that is inconsistent with any corresponding election made on a prior return or settle or compromise any income Tax liability for an amount materially in excess of the liability therefor that is reflected on the Vaalco Financial Statements or the Company Financial Statements, as the case may be;

(i) authorize any of, or agree or commit to do any of, the foregoing actions;

(j) (i) increase the compensation or fringe benefits of any present or former director, officer or employee of any member of the Vaalco Consolidated Group (except for increases in salary or wages in the ordinary course of business consistent with past practice), (ii) grant any severance or termination pay to any present or former director, officer or employee of any member of the Vaalco Consolidated Group, (iii) loan or advance any money or other property to any present or former director, officer or employee of any member of the Vaalco Consolidated Group or (iv) establish, adopt, enter into, amend or terminate any Vaalco Plan or any plan, agreement, program, policy, trust, fund or other arrangement that would be a Vaalco Plan if it were in existence as of the date of this Agreement; or

(k) consent to an amendment to the Hunt Partnership Agreement.

SECTION 6.3 PRESS RELEASES. Fund and Vaalco will consult with each other before issuing, and provide each other the opportunity to review and comment upon, any press releases or other public statements with respect to any transactions described in this Agreement, and shall not issue any such press releases or make any such public statement prior to such consultation, except as may be required by applicable law, court process or by obligations pursuant to an agreement pursuant to which the Vaalco stock is listed or approved for trading.

SECTION 6.4 ACCESS TO INFORMATION AND CONFIDENTIALITY.

(a) Prior to the Closing Date, Vaalco shall afford to the Fund, and the Company shall afford to Vaalco and to the officers, employees, accountants, counsel, financial advisors and other representatives of such other party, reasonable access during normal business hours to their respective premises, books and records and will furnish to the other party (i) a copy of each report, schedule, registration statement and other

documents filed by it during such period pursuant to the requirements of federal or state securities laws, and (ii) such other information with respect to its business and properties as such other party reasonably requests. The Company agrees to provide Vaalco prompt notice of any proposed amendment to the partnership agreement of Hunt upon becoming aware of such amendment.

(b) Each of Vaalco and the Fund will, and will cause its officers, directors, employees, agents and representatives to, (i) hold in confidence,

unless compelled to disclose by judicial or administrative process, or, in the opinion of its counsel, by other requirements of law, all nonpublic information concerning the other party furnished in connection with the transactions contemplated by this Agreement until such time as such information becomes publicly available (otherwise than through the wrongful act of such person), (ii) not release or disclose such information to any other person, except in connection with this Agreement to its auditors, attorneys, financial advisors, other consultants and advisors, and (iii) not use such information for any competitive or other purpose other than with respect to its consideration and evaluation of the transactions contemplated by this Agreement. In the event of termination of this Agreement for any reason, Vaalco and the Fund will promptly return or destroy all documents containing nonpublic information so obtained from the other party and any copies made of such documents and any summaries, analyses or compilations made therefrom.

SECTION 6.5 HUNT ARRANGEMENTS. Immediately prior to the Closing, the Company shall enter into the following agreements and instruments, each of which shall be satisfactory to Vaalco and the Fund: (i) a letter of credit arrangement in favor of Hunt in the amount of approximately $13.6 million (or such lesser amount as is equal to the Company's unfunded Committed Capital Contributions (as defined in the Agreement of Partnership of Hunt) as of the Closing Date) to provide for the funding after the Closing of the Company's commitment to Hunt with respect to the Hunt Interest, (ii) a letter of credit reimbursement and cash collateral agreement with the issuer of such letter of credit, which agreement shall provide for the reimbursement of such issuer for the amount of all drawings under such letter of credit from the cash collateral account established pursuant to such agreement, (iii) an agreement with Hunt, pursuant to which (x) Hunt releases the Fund and Brown Brothers Harriman & Co., a Delaware limited partnership ("BBH&Co."), from all obligations and liabilities under any agreements entered into by them in connection with the Hunt Interest, (y) Hunt consents to the arrangements described in this Section 6.5 and (z) Hunt agrees that proceeds of the aforesaid letter of credit will be used as provided in the Agreement of Partnership for Hunt, or in the case the entire letter of credit is drawn pursuant to the terms thereof, invested as agreed by the parties; PROVIDED, that Vaalco shall bear all reasonable fees, costs and expenses incurred by any party to this Agreement in connection with the issuance of the letter of credit and letter of credit reimbursement and cash collateral agreement entered into pursuant to this Section 6.5. The aforesaid agreements and arrangements will be in form an substance satisfactory to the Company, Hunt and Vaalco.

SECTION 6.6 FINANCIAL STATEMENTS. Vaalco shall deliver to the Holders, in form and substance reasonably satisfactory to the Majority Holders:

(a) as soon as available, but not later than one hundred days after the end of each fiscal year of Vaalco, a copy of the audited consolidated balance sheet of Vaalco and its subsidiaries as of the end of such year and the related consolidated statements of

income and cash flows for such fiscal year, setting forth in each case in comparative form the figures for the previous year, all in reasonable detail and accompanied by a management summary and analysis of the operations of Vaalco and its subsidiaries for such fiscal year and by the opinion of Deloitte & Touche (or any successor thereto) or another nationally recognized independent public accounting firm which report shall state that such consolidated financial statements present fairly the financial position for the periods indicated in conformity with generally accepted accounting principles applied on a basis consistent, except as otherwise stated therein, with prior years; PROVIDED, HOWEVER, that the delivery of a copy of Vaalco's Annual Report on Form 10-K or 10-KSB filed pursuant to the Exchange Act shall satisfy the requirements of this Section 6.6(a);

(b) as soon as available and, in any event, within 45 days of each of the first three fiscal quarters of each year the unaudited consolidated balance sheet of Vaalco and its subsidiaries, and the related consolidated statements of income and cash flow for such quarter and for the period commencing on the first day of the fiscal year and ending on the last day of such quarter, all certified by an appropriate officer of Vaalco; PROVIDED, HOWEVER, that the delivery of a copy of Vaalco's Quarterly Report filed pursuant to the Exchange Act shall satisfy the requirements of this Section 6.6(b);

(c) as soon as available, and in any event, within 30 days of the end of each fiscal month, internally prepared monthly financial reports in form and substance reasonably satisfactory in the Fund; PROVIDED, HOWEVER, that Vaalco shall not be required to provide such monthly reports if Vaalco files reports pursuant to the Exchange Act;

(d) budgets, documentation of material financial transactions, projections, operating reports, acquisition analyses, presentations to banks, financial institutions or potential investors, consultants' reports and such other financial and operating data of Vaalco and its subsidiaries as the Fund reasonably may request (any such information to be subject to the provisions of Section 6.13(b));

(e) at any time when it is not subject to Section 13 or 15(d) of the Exchange Act, upon request, to the Fund and prospective purchasers of Vaalco Shares or Common Stock issued upon conversion of the Preferred Shares, information of the type that would satisfy the requirement of subsection (d)(4)(i) of Rule 144A (or any similar successor provision) under the Securities Act; and

(f) except as otherwise provided in Section 6.6(a) and (b), promptly after the same are filed, copies of all reports, statements and other documents filed with the Commission.

SECTION 6.7 CERTIFICATES; OTHER INFORMATION. Vaalco shall furnish to the Fund concurrently with the delivery of the financial statements referred to in Section 6.6(a) above, a certificate of Vaalco's Chief Financial Officer stating that, to the best of such officer's knowledge, there exists no default under or breach of Sections 6.6 through 6.14 and Article 7, except as specified in such certificates.

SECTION 6.8 PRESERVATION OF CORPORATE EXISTENCE AND LEGALLY AVAILABLE FUNDS. Vaalco shall, and shall cause each of its subsidiaries to:

(a) preserve and maintain in full force and effect its corporate existence and good standing under the laws of its jurisdiction of incorporation or organization except as permitted by Section 7.1; and

(b) preserve and maintain in full force and effect all material rights, privileges, qualifications, licenses and franchises necessary in the normal conduct of its business.

SECTION 6.9 COMPLIANCE WITH ORGANIZATIONAL DOCUMENTS. The Company shall comply, and shall cause each Subsidiary to comply, in all material respects with its certificate of incorporation and by-laws or other organizational or governing documents.

SECTION 6.10 COMPLIANCE WITH LAWS. Vaalco shall comply, and shall cause each subsidiary to comply, in all material respects with all Requirements of Law and with the directions of any Governmental Authority having jurisdiction over it or its business, except if such failure to comply would not have a Material Adverse Effect on the condition of Vaalco.

SECTION 6.11 NOTICES. Upon knowledge of the Chief Executive Officer, the President or the Chief Financial Officer of Vaalco of the events described below, Vaalco shall give written notice within 10 days to the Fund upon (a) the occurrence of any default under, or breach of, any of the provisions of Sections 6.6 through 6.14 or Article 7; and (b) any (i) material default or event of default under any contractual obligation of Vaalco or any of its subsidiaries, or (ii) material dispute, litigation, investigation, proceeding or suspension which may exist at any time between Vaalco or any of its subsidiaries and any governmental authority. Each notice pursuant to this Section 6.11 shall be accompanied by a statement by the Chief Executive Officer, President or Chief Financial Officer of Vaalco setting forth details of the occurrence referred to therein, specifying the period of existence thereof and stating what action Vaalco proposes to take with respect thereto.

SECTION 6.12 RESERVATION OF SHARES. Vaalco shall at all times reserve and keep available out of its authorized Vaalco Common Stock, solely for the purpose of issue or delivery upon conversion of all outstanding Vaalco Shares as provided in the Certificate of Designation, such number of shares of Vaalco Common Stock as shall then be issuable or deliverable upon the exercise of all outstanding Vaalco Preferred Shares. Such shares of Vaalco Common Stock shall, when issued or delivered in accordance with the terms of the Vaalco Preferred Shares, be duly and validly issued and fully paid and non-assessable. Vaalco shall issue the Vaalco Common Stock into which the Vaalco Preferred Shares are convertible upon the proper surrender of the Vaalco Preferred Shares in accordance with the provisions of the Certificate of Designation and shall otherwise comply with the terms thereof.

SECTION 6.13 INSPECTION.

(a) At any time, and from time to time after the Closing, Vaalco will permit, and will cause each of its subsidiaries to permit, representatives of the Fund to visit and inspect any of its properties, to examine its corporate, financial and operating records and make copies thereof or abstracts therefrom, and to discuss its affairs, finances and accounts with their respective directors, officers and independent public accountants, all at such reasonable times during normal business hours and as often as may be reasonably requested, upon reasonable advance notice to Vaalco.

(b) Without limiting any obligations provided under any requirement of law, the Fund will maintain as confidential any information obtained from Vaalco (to the extent the Fund is advised by Vaalco that such information is confidential) pursuant to Section 6.13(a) or 6.6(d) (other than information which (i) at the time of disclosure or thereafter is generally available to and

known by the public (other than as a result of a disclosure directly or indirectly by the Fund or any of its representatives), (ii) is available to the Fund on a non-confidential basis from a source other than Vaalco or its subsidiaries, provided that such source was not known by the Fund to be bound by a confidentiality agreement with Vaalco or any of its subsidiaries, or (iii) has been independently developed by the Fund), and shall not disclose any information obtained from Vaalco pursuant to Section 6.13(a) or 6.6(d) and required to be maintained as confidential pursuant hereto, except (i) to BBH&Co. and their respective advisors, representatives, agents, partners and employees, (ii) to its advisors, representatives, agents, partners (and their representatives and advisors) and employees, (iii) to any prospective transferee of the Vaalco Shares or shares of Common Stock issued upon the conversion of the Vaalco Shares or of an interest in the Fund or in a successor fund sponsored by BBH&Co. (iv) as may be required by law (including a court order, subpoena or other administrative order or process) or applicable regulations to which the Fund is or becomes subject, (v) in connection with any litigation arising out of or related to this Agreement, (vi) to the executive officers of Vaalco or any of its subsidiaries, or (vii) with the consent of Vaalco.

SECTION 6.14 REGISTRATION AND LISTING. If the Vaalco Shares, or any shares of Common Stock required to be reserved for purposes of conversion of the Vaalco Preferred Shares as provided in the Certificate of Designation, require registration with or approval of any governmental authority under any federal or state or other applicable law before such Vaalco Shares or Common Stock may be issued or delivered upon conversion of the Vaalco Shares, Vaalco will in good faith and as expeditiously as possible endeavor to cause such Vaalco Shares or Common Stock to be duly registered or approved, as the case may be, unless such registration or approval is required solely because of a breach by a Holder of the Fund's representation contained in Sections 5.10 or 5.11 or in a any legend on the certificates representing the Vaalco Shares and the Common Stock issued upon conversion of the Vaalco Preferred Shares. In the event that, and so long as, the Common Stock is listed on the New York Stock Exchange ("NYSE") or quoted or listed on any other national securities exchange or Nasdaq Stock Market ("Nasdaq"), Vaalco will, if permitted by the rules of such system or exchange, quote or list and keep quoted or listed on such exchange or Nasdaq, upon official notice of issuance, all Common Stock issuable upon conversion of the Vaalco Preferred Shares.

SECTION 6.15 RESIGNATIONS. Effective at the Closing, the Fund will cause each officer and director of the Company to submit their written resignation as an officer and/or director of the Company.

SECTION 6.16 CONTRIBUTION OF COMPANY DEBT. Immediately prior to Closing, the Fund shall contribute to the Company all of the outstanding indebtedness of the Company it holds as of such date, including the Term Notes listed on Schedule 5.15.

SECTION 6.17 PRIVATE PLACEMENT MEMORANDUM. Vaalco shall deliver to the Fund the draft private placement memorandum with respect to the sale of Vaalco Common Stock contemplated by Section 8.3(1) hereof prior to the circulation of such memorandum

in connection with such sale, and such memorandum shall be in form and substance reasonably satisfactory to the Fund.

SECTION 6.18 DIRECTORS AND OFFICERS INSURANCE. Prior to the Closing Vaalco shall obtain an insurance policy for all directors and officers of Vaalco which is comparable to that of similarly situated companies and is satisfactory to the Fund.

ARTICLE 7. NEGATIVE COVENANTS

SECTION 7.1 CONSOLIDATION AND MERGERS. Without the prior consent of the Majority Holders, Vaalco shall not merge, consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets, merge or consolidate with or into any other Person except another subsidiary of Vaalco, except Vaalco may consolidate or merge with or into, or sell all or substantially all of its assets to, any Person if:

(a) the corporation or partnership formed by such consolidation or surviving such merger or the Person which acquires all or substantially all of the assets of Vaalco shall be (after giving effect to such transaction) a Solvent corporation or partnership organized or formed, as the case may be, and existing under, the laws of the United States, any state thereof, or the District of Columbia and shall expressly assume in writing all of the obligations of Vaalco under this Agreement, the Vaalco Shares, the Certificate of Designation and the Registration Rights Agreement;

(b) immediately after giving effect to such transaction, no default under, or breach of, any of the provisions of Sections 6.6 through 6.14 or this Article 7;

(c) the corporation or partnership formed by or surviving any such

transaction or the Person that acquires all or substantially all of the assets of Vaalco shall have a Consolidated Net Worth at least equal to the Consolidated Net Worth of Vaalco immediately prior to such transaction; and

(d) Vaalco shall have furnished to the Holders (i) an opinion of counsel addressing the matters (other than solvency) set forth in clause (a) above and (ii) the certificate of the Chief Financial Officer of Vaalco to the effect that such transaction has been consummated in compliance with the foregoing requirements; PROVIDED that nothing in this Section 7.1 shall affect the rights of the Holders under this Agreement, the Vaalco Shares, or the Registration Rights Agreement.

SECTION 7.2 TRANSACTIONS WITH AFFILIATES. Without the prior consent of the Majority Holders, Vaalco shall not, and shall not permit any of its subsidiaries to, enter into any transaction or arrangement with any Affiliate of Vaalco or of any such subsidiary, except for transactions or arrangements between members of the Vaalco Consolidated Group.

SECTION 7.3 NO INCONSISTENT AGREEMENTS. Without the prior consent of the Majority Holders, neither Vaalco nor any of its subsidiaries shall (a) enter into any loan or other agreement after the date hereof or (b) amend or modify any then existing loan or other agreement, which by its terms restricts or prohibits the ability of Vaalco to issue Common Stock upon conversion of the Vaalco Shares, in each case in accordance with the Certificate of Designation and this Agreement.

SECTION 7.4 FISCAL YEAR. Neither Vaalco nor any of its subsidiaries shall change its fiscal year without the written consent of the Majority Holders.

SECTION 7.5 AMENDMENTS TO CERTIFICATE OF INCORPORATION AND BY-LAWS. Neither Vaalco nor any of its subsidiaries shall amend its certificate of incorporation or by-laws in a manner which would adversely effect the Holders in any material respect, without the written consent of the Majority Holders.

SECTION 7.6 REGISTRATION RIGHTS. Vaalco shall not grant any Person demand registration rights without the written consent of the Majority Holders. Vaalco shall not grant any Person piggy-back registration rights that are inconsistent with the right granted to the Holders pursuant to the Registration Rights Agreement including, without limitation, any registration rights which would require a Holder to reduce the number of shares such Holder has requested to include in a registration statement pursuant to the terms of the Registration Rights Agreement.

ARTICLE 8. CLOSING CONDITIONS

SECTION 8.1 CONDITIONS APPLICABLE TO ALL. The obligations of each of the parties hereto to effect the transactions contemplated by this Agreement are subject to the satisfaction or waiver of the following conditions at or prior to the Closing:

(a) No action, suit, or proceeding before any court or governmental or regulatory authority will be pending, no investigation by any governmental or regulatory authority will have been commenced, and no action, suit or proceeding by any governmental or regulatory authority will have been threatened, against Vaalco, Fund or the Company or any of the principals, partners, officers or directors of any of them, seeking to restrain, prevent or change the transactions contemplated hereby or questioning the legality or validity of any such transactions or seeking damages in connection with any such transactions.

(b) If any filing is required under the HSR Act, the applicable waiting period (and any extension thereof) applicable to the transaction contemplated by this Agreement under the HSR Act shall have expired or been earlier terminated.

(c) Vaalco shall have received from Jefferies & Co. an opinion dated not more than five days before Closing, satisfactory in form and substance to Vaalco, that the transaction provided for herein is fair to Vaalco and its stockholders from a financial point of view.

(d) On or after the date hereof there shall not have occurred any of the following: (i) a suspension or material limitation in trading in securities generally on the NYSE or on Nasdaq's National Market; (ii) a suspension or material limitation in trading in Vaalco's securities on over-the-counter market; (iii) a general moratorium on commercial banking activities declared by either federal or New York state authorities; or (iv) the outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war, or any other crisis or change in political, financial or economic conditions if the effect of any such event specified in Clause (i) through (iv) in the judgment of the Company or Vaalco makes it impracticable or inadvisable to proceed with the transaction contemplated by this Agreement.

(e) The Fund shall have received (i) from Hunt, a consent with

respect to the transactions contemplated hereunder, including entering into the letter of credit arrangement contemplated by Section 6.5 hereof and (ii) from Hunt and HOOC, a release of the Fund and BBH&Co. as of the Closing, from any and all of the Fund's and BBH&Co.'s obligations to Hunt and HOOC in connection with the Fund's ownership of the Hunt Interest, including, without limitation, the obligations of the Fund and BBH&Co. pursuant to (x) that certain Guaranty and Covenant Agreement, dated as of September 13, 1995, made by the Fund for the benefit of HOOC and Hunt and (y) that certain Parent Entity Subscription Agreement for Limited Partnership Interest in Hunt, dated September 13, 1995, executed by the Fund and delivered to Hunt.

SECTION 8.2 CONDITIONS TO VAALCO'S OBLIGATIONS. The obligations of Vaalco to effect the transactions contemplated by this Agreement are also subject to the satisfaction or waiver of the following conditions at or prior to the Closing:

(a) The representations and warranties of the Fund in this Agreement or in any certificate delivered to Vaalco pursuant hereto as of the date hereof will be deemed to have been made again at and as of the date of Closing (without regard to any Schedule updates furnished by the Fund after the date hereof unless consented to by Vaalco) and will then be true and correct in all material respects, except to the extent any such representation or warranty is qualified by materiality or by reference to the term "Material Adverse Effect" in which case such representation or warranty shall be true and correct, and the Company and Fund will have performed and complied in all material respects with all agreements, covenants and conditions required by this Agreement to be performed or complied with by Fund or the Company prior to or on the date of Closing.

(b) There shall not have occurred any event or circumstance resulting in a Material Adverse Effect with respect to the Company from the date of the Company's Latest Balance Sheet to the Closing.

(c) All governmental and other third-party consents and approvals, if any, necessary to permit the consummation of the transactions contemplated by this Agreement, or to permit the continued operation of the business of Vaalco and the Company in substantially the same manner after the date of Closing as before, will have been received.

(d) The receipt by Vaalco of a certificate executed by the general partner of Fund dated the Closing, certifying that the conditions specified in Section 7.2(a) and (b) hereof have been fulfilled.

(e) Fund will have delivered to Vaalco, each dated as of a date not earlier than five days prior to the date of Closing to the extent issued by such jurisdiction, (i) certificates from the appropriate governmental official to the effect that the Company and the Fund exist, and (ii) certificates as to the tax status of the Company in its jurisdiction of organization and each jurisdiction in which the Company is qualified to do business.

(f) Vaalco shall have received from Paul, Weiss, Rifkind, Wharton & Garrison, counsel to the Company and Fund, an opinion, dated as of the date of Closing, in form and substance reasonably satisfactory to Vaalco.

(g) Vaalco shall have received a certificate, dated as of the Closing and signed by the Secretary or Assistant Secretary of the general partner of Fund, attaching a good standing certificate from the Delaware Secretary of State with respect to the Company and the Fund and certifying the truth and correctness of attached copies of the certificate of incorporation of the Company, and resolutions of the Board of Directors of the Company and the general partner of the Fund approving this Agreement and the transactions contemplated hereby.

(h) All consents, waivers, exemptions, authorizations, or other actions by, or notices to, or filings with, Governmental Authorities and other Persons necessary or required in connection with the execution, delivery or performance by the Fund and the Company or enforcement against the Fund of this Agreement shall have been obtained and shall be in full force and effect, and Vaalco shall have been furnished with appropriate evidence thereof.

(i) No amendments to the certificate of incorporation or by-laws of the Company as in effect on the date hereof shall have been effected.

SECTION 8.3 CONDITIONS TO FUND'S OBLIGATIONS. The obligations of Fund to effect the transactions contemplated by this Agreement are also subject to the satisfaction or waiver of the following conditions at or prior to the Closing:

(a) The representations and warranties of Vaalco in this Agreement or in any certificate delivered to Vaalco pursuant hereto as of the date hereof will be deemed to have been made again at and as of the date of Closing (without regard to any Schedule updates furnished by Vaalco after the date hereof unless consented to by Fund) and will then be true and correct in all material respects, except to the extent any such representation or warranty is qualified by materiality or by reference to the term "Material Adverse Effect" in which case such representation or warranty shall be true and correct, and Vaalco will

have performed and complied in all material respects with all agreements, covenants and conditions required by this Agreement to be performed or complied with by Vaalco prior to or on the Closing.

(b) There shall not have occurred any event or circumstance resulting in a Material Adverse Effect with respect to Vaalco from the date of the Vaalco's Audited Financial Statements to the date of Closing other than as described on a schedule to this Agreement.

(c) All governmental and other third-party consents and approvals, if any, necessary to permit the consummation of the transactions contemplated by this Agreement will have been received.

(d) The receipt by Fund of a certificate executed by the Chief Executive Officer of Vaalco dated the date of Closing, certifying that the conditions specified in Section 8.3(a) and (b) hereof have been fulfilled.

(e) Vaalco will have delivered to Fund, each dated as of a date not earlier than five days prior to the date of Closing, a certificate from the state of Delaware to the effect that Vaalco is in good standing in such jurisdiction and listing all charter documents of Vaalco, and certificates as to the tax status of Vaalco in its jurisdiction of organization and each jurisdiction in which Vaalco is qualified to do business.

(f) The receipt by Fund of opinions from (i) Butler & Binion, L.L.P., U.S counsel to Vaalco, and (ii) counsel to Vaalco in the Philippines, India and Gabon, dated as of the date of Closing, and in form and substance reasonably satisfactory to the Fund.

(g) Vaalco's Board of Directors shall have taken such action as is necessary to appoint three additional members named by Fund to the Vaalco's Board of Directors, one to each class of directors, such appointment to be effective on the Closing Date and shall have adopted the amendments to the by-laws set forth in Exhibit C.

(h) The Fund shall have received a certificate, dated the Closing and signed by the Secretary or Assistant Secretary of Vaalco, attaching a good standing certificate from the Delaware Secretary of State with respect to Vaalco and certifying the truth and correctness of attached copies of the certificate of incorporation and by-laws of Vaalco, and resolutions of the Board of Directors of Vaalco approving this Agreement and the transactions contemplated hereby.

(i) The Certificate of Designation shall have been duly filed by Vaalco with the Secretary of State of the State of Delaware. The certificate of incorporation and by-laws of Vaalco shall be in the form attached as Exhibit E.

(j) All consents, waivers, exemptions, authorizations, or other actions by, or notices to, or filings with, Governmental Authorities and other Persons necessary or required in connection with the execution, delivery or performance by Vaalco or enforcement against Vaalco of this Agreement, the Vaalco Shares, the Certificate of Designation and the Registration Rights Agreement shall have been obtained and shall be in full force and effect, and the Fund shall have been furnished with appropriate evidence thereof.

(k) Except for the Certificate of Designation and the amendments to by-laws set forth on Exhibit C, no amendments to the certificate of incorporation or by-laws of Vaalco as in effect on the date hereof shall have been effected.

(l) Vaalco shall have arranged for the sale of Vaalco Common Stock simultaneously with (or prior to) the closing for an aggregate consideration in an amount not less than $5,000,000, with the closing of such sale to occur on the same date as (or prior to) the Closing and the proceeds of such sale to be transferred to Vaalco simultaneously with the closing of such sale; PROVIDED, that the sum of (x) the placement agent fees incurred in connection with such sale and (y) the amounts payable by Vaalco in respect of any and all related costs and expenses with respect to such sale (including, without limitation, the disbursements of the placement agent and all legal, accounting and printing expenses required to be paid by Vaalco) shall in no event be in excess of $1.1 million. The price per share (net of the placement agent fee) of the Vaalco Common Stock sold in connection with the fulfillment of the closing condition set forth in the foregoing sentence shall be referred to herein as the "Placement Price."

(m) The employment agreements between Vaalco and the employees of Vaalco listed on Schedule 8.3(m) hereto shall be in full force and effect and the terms of such contracts shall be satisfactory to the Fund and such agreements shall have been amended, in a manner satisfactory to the Fund, to terminate on August 1, 1998.

(n) Vaalco, Robert S. Schneeflock, Jr. and Paramount Petroleum Company shall have executed the agreements described in Exhibit D, on terms

reasonably satisfactory to the Fund.

(o) Vaalco shall have duly executed and delivered to the Fund the Registration Rights Agreement.

(p) Coopers & Lybrand shall have completed a financial review of Vaalco's Philippine subsidiary which shall be in form and substance satisfactory to the Fund.

(q) Vaalco shall have delivered to the Fund 1998 monthly budget projections for the business operations of Vaalco reasonably acceptable to the Fund.

(r) The Fund shall have received such opinions as the Fund may require from its own counsel, including the Fund's counsel in India, the Phillippines and Gabon, in connection with Vaalco's business and operations and such opinions shall be in form and substance satisfactory to the Fund.

(s) The Fund shall have received satisfactory evidence or confirmation from Vaalco regarding such matters as it shall require with respect to the business and operations of Vaalco Gabon (Etame) Inc. ("Vaalco Etame"), and Vaalco Energy (Gabon) Inc. ("Vaalco Gabon"), including, without limitation, (i) Vaalco Etame's and Vaalco Gabon's participation interest in the Production Sharing Contract, dated July 7, 1995, by and among the Republic of Gabon ("Gabon"), Vaalco Etame, Vaalco Gabon and the other parties signatory thereto and (ii) Vaalco Etame's and Vaalco Gabon's receipt of all necessary governmental consents, authorizations, approvals, declarations and registrations which allow them to own such participation interest and to operate and conduct their business in Gabon.

SECTION 8.4 WAIVER OF CONDITIONS. Any condition to a party's obligations hereunder may be waived by that party in writing.

SECTION 8.5 VAALCO DELIVERIES. At the Closing, Vaalco shall deliver:

(a) Certificates representing the Vaalco Shares registered in the name of the Fund.

(b) The certificate contemplated by Section 8.3(d).

(c) The opinion of Butler & Binion, L.L.P. and other counsel contemplated by Section 8.3(f).

SECTION 8.6 FUND DELIVERIES. At the Closing, Fund shall deliver:

(a) A certificate or certificates representing the Company Shares duly endorsed for transfer to Vaalco or accompanied by a stock power duly executed for transfer to Vaalco;

(b) The certificate contemplated by Section 8.2(d);

(c) The opinion of Paul, Weiss, Rifkind, Wharton & Garrison contemplated by Section 8.2(b).

(d) All books and records and ledgers of the Company;

(e) The resignations contemplated by Section 6.15.

ARTICLE 9. TERMINATION

SECTION 9.1 TERMINATION OF AGREEMENT. This Agreement may be terminated only as provided below:

(a) The Fund, the Company and Vaalco may terminate this Agreement by mutual written consent at any time prior to Closing;

(b) The Fund, the Company and Vaalco may terminate this agreement (i) if a court of competent jurisdiction or other Governmental Authority shall have issued an order, judgment, injunction or decree (collectively an "Order") or taken any other action permanently restraining, enjoining or otherwise prohibiting the transaction contemplated hereunder and such Order or other action shall have become final and nonappealable or (ii) if the closing shall not have occurred on or before March 31, 1998;

SECTION 9.2 PROCEDURE FOR AND EFFECT OF TERMINATION. In the event that this Agreement is terminated by the Fund or the Company, on the one hand, or by Vaalco, on the other hand, pursuant to Section 9.1(b) hereof, written notice of such termination and abandonment shall forthwith be given to the other parties and this Agreement shall terminate without any further action. If this Agreement is terminated as provided herein, no party hereto shall have any liability or further obligation to any other party under the terms of this Agreement except that the provisions of Section 6.3, 6.4(b), 9.3, this Section 9.2 and Article 10 shall survive the termination of this Agreement.

SECTION 9.3 SOLE REMEDY; WAIVER. Each of the Fund, the Company and Vaalco hereby agree that the sole remedy for the breach of any representation, warranty, covenant or agreement contained in this Agreement, the failure of any of the conditions contained in Section 8 hereof to be fulfilled or the termination of this Agreement for any other reason whatsoever shall be to not close the transactions contemplated under this Agreement. In furtherance of the foregoing, each of the Fund, the Company and Vaalco hereby waive, as of the date hereof, to the fullest extent permitted under applicable law, any and all rights, claims and causes of action (other than tort claims of, or causes of action arising from, fraudulent misrepresentation or deceit) it may have against the Fund, the Company and Vaalco, respectively, relating to the subject matter of this Agreement and the other agreements contemplated hereby arising under or based upon any federal, state, local or foreign statute, law, ordinance, rule or regulation or otherwise.

ARTICLE 10. MISCELLANEOUS

SECTION 10.1 NOTICES. All notices hereunder must be in writing and will be deemed to have been duly given upon receipt of hand delivery; certified or registered mail, return receipt requested; or telecopy transmission with confirmation of receipt:

(a) If to Vaalco:
Vaalco Energy, Inc.
4600 Post Oak Place, Suite 309
Houston, Texas 77027
Attn: Robert L. Gerry III,
Chief Executive Officer

(b) If to Fund:
c/o Brown Brothers Harriman & Co.
59 Wall Street
New York, New York 10005
Attn: Walter W. Grist

Such names and addresses may be changed by written notice to each person listed above.

SECTION 10.2 GOVERNING LAW. This Agreement shall be governed by, construed and interpreted in accordance with the laws of the State of New York, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof. The Fund, the Company and Vaalco agree that the courts of the State of New York located in New York City and the courts of the United States of America for the Southern District of New York shall have exclusive jurisdiction in any legal action or proceedings with respect to this Agreement and any transaction contemplated hereby.

SECTION 10.3 COUNTERPARTS. This Agreement may be executed in counterparts, each of which will be deemed an original but all of which together will constitute one and the same instrument.

SECTION 10.4 INTERPRETATION; SCHEDULES.

(a) When a reference is made in this Agreement to a Section, Exhibit or Schedule, such reference shall be to a Section of, or an Exhibit or Schedule to, this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation."

(b) The information set forth in the Schedules to this Agreement is qualified in its entirety by reference to the specific provisions of this Agreement, and is not intended to constitute, and shall not be construed as constituting, separate representations or warranties of the party to which such Schedules relate except as and to the extent provided in this Agreement. Inclusion of information in the Schedules shall not be construed as an admission that such information is material for purposes of the specific provisions of this Agreement to which such information relates. Information included in the Schedules that is not required to be so included under the specific provisions of this Agreement shall be deemed to be included for informational purposes only and information of a similar nature need not be included, at the discretion of the party providing such information. Any information disclosed by a party in any Schedule shall be deemed to be disclosed in all the Schedules of such party and for all purposes under this Agreement to the extent the specific provisions of this Agreement require such disclosure.

SECTION 10.5 ENTIRE AGREEMENT; SEVERABILITY.

(a) This Agreement, including the Exhibits and Schedules hereto, embodies the entire agreement and understanding of the parties hereto in respect of the subject matter contained herein. This Agreement supersedes all prior agreements and understandings (whether written or oral) between the parties with respect to such subject matter.

(b) If any provision of this Agreement is determined to be invalid or unenforceable, in whole or in part, it is the parties' intention that such determination will not be held to affect the validity or enforceability of any other provision of this Agreement, which provisions will otherwise remain in full force and effect.

SECTION 10.6 AMENDMENT AND MODIFICATION. This Agreement may be amended or modified only by written agreement of the parties hereto.

SECTION 10.7 BINDING EFFECT; BENEFITS. This Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns. Nothing in this Agreement, express or implied, is intended to confer on any Person other than the parties hereto and their respective successors and permitted assigns any rights, remedies, obligations or liabilities under or by reason of this Agreement.

SECTION 10.8 ASSIGNABILITY. This Agreement is not assignable by any party hereto without the prior written consent of the other parties.

SECTION 10.9 EXPENSES. Each of the parties hereto shall pay all of its own expenses relating to the transactions contemplated by this Agreement, including without limitation the fees and expenses of its own financial, legal and tax advisors.

SECTION 10.10 GENDER AND CERTAIN DEFINITIONS. All words used herein, regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context requires.

SECTION 10.11 SURVIVAL OF REPRESENTATIONS AND WARRANTIES; REMEDIES. The representations and warranties in this Agreement or in any instrument delivered pursuant hereto shall not survive the Closing hereunder.

SECTION 10.12 WAIVER OF JURY TRIAL. EACH OF THE FUND, THE COMPANY AND VAALCO ACKNOWLEDGES THE TIME AND EXPENSE REQUIRED FOR A BENCH TRIAL AND HEREBY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY AND ALL RIGHT TO JURY TRIAL IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date first written above.

VAALCO ENERGY, INC.

By:/S/ ROBERT L. GERRY III

Robert L. Gerry III,
Chief Executive Officer

THE 1818 FUND II, L.P.
By: Brown Brothers Harriman & Co.,
general partner

By:/s/ T. Michael Long

Name: T. Michael Long
Title: Partner

1818 OIL CORP.

By:/s/ T. Michael Long

Name: T. Michael Long
Title: Vice President

FIRST AMENDMENT
TO
STOCK ACQUISITION AGREEMENT
AND
PLAN OF REORGANIZATION

WHEREAS, VAALCO Energy, Inc. ("Vaalco"), The 1818 Fund II, L.P. (the "Fund") and 1818 Oil Corp. (the "Company") have entered into a Stock Acquisition Agreement and Plan of Reorganization dated as of February 17, 1998 (the "Agreement"); and

WHEREAS, the parties to the Agreement desire to amend the Agreement in certain respects as further set forth below;

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. The first sentence of Section 2.1 of the Agreement shall be revised to read:

   "Subject to the terms and conditions herein set forth, (i) Vaalco agrees that it will acquire, and the Fund agrees to transfer to Vaalco, 229 shares of the common stock, $.01 par value (the "Company Shares"), of the Company, and (ii) the Fund agrees to acquire shares (the "Vaalco Common Shares") of common stock of Vaalco, $0.10 par value ("Vaalco Common Stock") in an aggregate amount of $7,000,000."

2. The first sentence of Section 8.3(1) of the Agreement shall be revised to read:

   "Vaalco shall have arranged for the sale of Vaalco Common Stock simultaneously with (or prior to) the Closing for an aggregate consideration in an amount not less than $2,200,000, with the closing of such sale to occur on the same date as (or prior to) the Closing and the proceeds of such sale to be transferred to Vaalco simultaneously with the closing at such sale; provided, that the sum of (x) the placement agent fees incurred in connection with such sale and (y) the amounts payable to Vaalco in respect of any and all related costs and expenses with respect to such sale (including without limitation, the disbursements of the placement agent and all legal, accounting and printing expenses required to be paid by Vaalco) shall in no event be in excess of $1.1 million."

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date first written above.

VAALCO ENERGY, INC.

By:/s/ Robert L. Gerry III

Robert L. Gerry III
Chief Executive Officer

THE 1818 FUND II, L.P.
By: Brown Brothers Harriman & Co.
general partner

By:/s/ T. Michael Long

1818 OIL CORP.

By:/s/ T. Michael Long

REGISTRATION RIGHTS AGREEMENT

between

VAALCO ENERGY, INC.

and

THE 1818 FUND II, L.P.

Dated April 21, 1998

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REGISTRATION RIGHTS AGREEMENT, dated April 21, 1998, between VAALCO ENERGY, INC., a Delaware corporation (the "Company"), and THE 1818 FUND II, L.P., a Delaware limited partnership (the "Purchaser").

1. Background. Pursuant to a Stock Acquisition Agreement and Plan of Reorganization, dated February 17, 1998 (the "Purchase Agreement"), among the Company, the Purchaser and 1818 Oil Corp., a Delaware corporation, the Purchaser has agreed to purchase from the Company, and the Company has agreed to issue to the Purchaser (i) an aggregate of 10,000 shares of preferred stock, par value $25.00 per share (the "Preferred Stock"), of the Company and (ii) an aggregate of 3,763,441 shares of common stock, par value $.01 per share (the "Common Stock"), of the Company. Capitalized terms used herein but not otherwise defined shall have the meanings given them in Section 3.

2. Registration Under Securities Act, etc.

2.1 Registration on Request.

(a) Request. At any time, or from time to time, one or more holders (the "Initiating Holders") of not less than 20% of the Purchaser Stock may, upon written request, require the Company to effect the registration under the Securities Act of any Registrable Securities held by such Initiating Holders. The Company promptly will give written notice of such requested registration to all other holders of Registrable Securities who may join in such registration, and thereupon the Company will use its best efforts to effect, at the earliest possible date, the registration under the Securities Act

(i) the Registrable Securities that the Company has been so requested to register by such Initiating Holders, and

(ii) all other Registrable Securities that the Company has been requested to register by the holders thereof (such holders together with the Initiating Holders hereinafter are referred to as the "Selling Holders") by written request given to the Company within 30 days after the giving of such written notice by the Company, all to the extent requisite to permit the disposition of the Registrable Securities so to be registered.

(b) Registration of Other Securities. Whenever the Company shall effect a registration pursuant to this Section 2.1, no securities other than Registrable Securities shall be included among the securities covered by such registration unless (subject to Section 2.1(f)) the Selling Holders of not less than 51% of all Registrable Securities to be covered by such registration shall have consented in writing to the inclusion of such other securities.

(c) Registration Statement Form. Registrations under this Section 2.1 shall be on such appropriate registration form of the Commission as shall be reasonably selected by the Company.

(d) Effective Registration Statement. A registration requested pursuant to this Section 2.1 shall not be deemed to have been effected (i) unless a registration statement with respect thereto has become effective and remained effective in compliance with the provisions of the Securities Act with respect to the disposition of all Registrable Securities covered by such registration statement until the earlier of (x) such time as all of such Registrable Securities have been disposed of in accordance with the intended methods of disposition by the seller or sellers thereof set forth in such registration statement and (y) 180 days after the effective date of such registration statement, except with respect to any registration statement filed pursuant to Rule 415 under the Securities Act, in which case the Company shall use its best efforts to keep such registration statement effective until such time as all of the Registrable Securities cease to be Registrable Securities, (ii) if after it has become effective, such registration is interfered with by any stop order, injunction or other order or requirement of the Commission or other governmental agency or court for any reason not attributable to the Selling Holders and has not thereafter become effective, or (iii) if the conditions to closing specified in the underwriting agreement, if any, entered into in connection with such registration are not satisfied or waived, other than solely by reason of a failure on the part of the Selling Holders.

(e) Selection of Underwriters. The underwriter or underwriters of each underwritten offering of the Registrable Securities so to be registered shall be selected by the Selling Holders of more than 50% of the Registrable Securities to be included in such registration and shall be reasonably acceptable to the Company.

(f) Priority in Requested Registration. If the managing underwriter of any underwritten offering shall advise the Company in writing (and the Company shall so advise each Selling Holder of Registrable Securities requesting registration of such advice) that, in its opinion, the number of securities requested to be included in such registration exceeds the number that can be sold in such offering within a price range acceptable to the Selling Holders of 66-2/3% of the Registrable Securities requested to be included in such registration, the Company, except as provided in the following

sentence, will include in such registration, to the extent of the number and type that the Company is so advised can be sold in such offering, Registrable Securities requested to be included in such registration, pro rata among the Selling Holders requesting such registration on the basis of the estimated gross proceeds from the sale thereof. If the total number of Registrable Securities requested to be included in such registration cannot be included as provided in the preceding sentence, holders of Registrable Securities requesting registration thereof pursuant to Section 2.1, representing not less than 33-1/3% of the Registrable Securities with respect to which registration has been requested and

constituting not less than 66-2/3% of the Initiating Holders, shall have the right to withdraw the request for registration by giving written notice to the Company within 20 days after receipt of such notice by the Company and, in the event of such withdrawal, such request shall not be counted for purposes of the requests for registration to which holders of Registrable Securities are entitled pursuant to Section 2.1 hereof. In connection with any such registration to which this Section 2.1(f) is applicable, no securities other than Registrable Securities shall be covered by such registration.

(g) Limitations on Registration on Request. Notwithstanding anything in this Section 2.1 to the contrary, in no event will the Company be required to effect, in the aggregate, more than three registrations pursuant to this Section 2.1.

(h) Expenses. The Company will pay all Registration Expenses in connection with any registration requested pursuant to this Section 2.1.

2.2 Incidental Registration.

(a) Right to Include Registrable Securities. If the Company at any time proposes to register any shares of Common Stock or any securities convertible into Common Stock under the Securities Act by registration on any form other than Forms S-4 or S-8, whether or not for sale for its own account, it will each such time give prompt written notice to all registered holders of Registrable Securities of its intention to do so and of such holders' rights under this Section 2.2. Upon the written request of any such holder (a "Requesting Holder") made as promptly as practicable and in any event within 15 days after the receipt of any such notice, the Company will use its best efforts to effect the registration under the Securities Act of all Registrable Securities that the Company has been so requested to register by the Requesting Holders thereof; provided, however, that prior to the effective date of the registration statement filed in connection with such registration, immediately upon notification to the Company from the managing underwriter of the price at which such securities are to be sold, if such price is below the price that any Requesting Holder shall have indicated to be acceptable to such Requesting Holder, the Company shall so advise such Requesting Holder of such price, and such Requesting Holder shall then have the right to withdraw its request to have its Registrable Securities included in such registration statement; provided further, that if, at any time after giving written notice of its intention to register any securities and prior to the effective date of the registration statement filed in connection with such registration, the Company shall determine for any reason not to register or to delay registration of such securities, the Company may, at its election, give written notice of such determination to each Requesting Holder of Registrable Securities and (i) in the case of a determination not to register, shall be relieved of its obligation to register any Registrable Securities in connection with such registration (but not from any obligation of the Company to pay the Registration Expenses in connection therewith), without prejudice, however, to the rights of any holder or holders of

Registrable Securities entitled to do so to cause such registration to be effected as a registration under Section 2.1, and (ii) in the case of a determination to delay registering, shall be permitted to delay registering any Registrable Securities, for the same period as the delay in registering such other securities. Notwithstanding anything contained in this Section 2.2(a), the Company shall not, if any Requesting Holder shall have requested the registration of shares of Common Stock issuable upon conversion of any Preferred Stock, consummate the sale of the securities included in the registration until such time as any applicable waiting period under the Hart-Scott- Rodino Act shall have expired or early termination thereunder shall have been granted if such Requesting Holder notifies the Company that it is required to make a filing under the Hart-Scott-Rodino Act before it may convert its Preferred Stock. No registration effected under this Section 2.2 shall relieve the Company of its obligation to effect any registration upon request under Section 2.1.

(b) Priority in Incidental Registrations. If the managing underwriter of any underwritten offering shall inform the Company by

letter of its opinion that the number or type of Registrable Securities requested to be included in such registration would materially adversely affect such offering, and the Company has so advised the Requesting Holders in writing, then the Company will include in such registration, to the extent of the number and type that the Company is so advised can be sold in (or during the time of) such offering, first, all securities proposed by the Company to be sold for its own account and second, all other securities proposed to be registered pro rata on the basis of the estimated proceeds from the sale thereof.

(c) Expenses. The Company will pay all Registration Expenses in connection with any registration effected pursuant to this Section 2.2.

2.3 Registration Procedures. If and whenever the Company is required to effect the registration of any Registrable Securities under the Securities Act as provided in Sections 2.1 and 2.2, the Company will, as expeditiously as possible:

(i) prepare and (within 90 days after the end of the period within which requests for registration may be given to the Company or in any event as soon thereafter as practicable) file with the Commission the requisite registration statement to effect such registration and thereafter use its best efforts to cause such registration statement to become effective; provided, however, that the Company may discontinue any registration of its securities that are not Registrable Securities (and, under the circumstances specified in Sections 2.2(a) or 2.6, if applicable, its securities that are Registrable Securities) at any time prior to the effective date of the registration statement relating thereto;

(ii) prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus

used in connection therewith as may be necessary to keep such registration statement effective and to comply with the provisions of the Securities Act with respect to the disposition of all Registrable Securities covered by such registration statement until the earlier of (a) such time as all of such Registrable Securities have been disposed of in accordance with the intended methods of disposition by the seller or sellers thereof set forth in such registration statement and (b) 180 days after the effective date of such registration statement, except with respect to any registration statement filed pursuant to Rule 415 under the Securities Act if the Company is eligible to file a registration statement on Form S-3, in which case the Company shall use its best efforts to keep the registration statement effective and updated, from the date such registration statement is declared effective until such time as all of the Registrable Securities cease to be Registerable Securities;

(iii) furnish to each seller of Registrable Securities covered by such registration statement, such number of conformed copies of such registration statement and of each such amendment and supplement thereto (in each case including all exhibits), such number of copies of the prospectus contained in such registration statement (including each preliminary prospectus and any summary prospectus) and any other prospectus filed under Rule 424 under the Securities Act, in conformity with the requirements of the Securities Act, and such other documents, as such seller may reasonably request;

(iv) use its best efforts (x) to register or qualify all Registrable Securities and other securities covered by such registration statement under such other securities or blue sky laws of such States of the United States of America where an exemption is not available and as the sellers of Registrable Securities covered by such registration statement shall reasonably request, (y) to keep such registration or qualification in effect for so long as such registration statement remains in effect and (z) to take any other action that may be reasonably necessary or advisable to enable such sellers to consummate the disposition in such jurisdictions of the securities to be sold by such sellers, except that the Company shall not for any such purpose be required to qualify generally to do business as a foreign corporation in any jurisdiction wherein it would not but for the requirements of this subdivision (iv) be obligated to be so qualified or to consent to general service of process in any such jurisdiction;

(v) use its best efforts to cause all Registrable Securities covered by such registration statement to be registered with or approved by such other federal or state governmental agencies or authorities as may be necessary in the opinion of counsel to the Company and counsel to the seller or sellers of Registrable Securities

to enable the seller or sellers thereof to consummate the disposition of such Registrable Securities;

(vi) in the case of an underwritten or "best efforts" offering, furnish at the effective date of such registration statement to each seller of Registrable Securities, and each such seller's underwriters, if any, a signed counterpart of:

(x) an opinion of counsel for the Company, dated the effective date of such registration statement and, if applicable, the date of the closing under the underwriting agreement, and

(y) a "comfort" letter signed by the independent public accountants who have certified the Company's financial statements included or incorporated by reference in such registration statement,

covering substantially the same matters with respect to such registration statement (and the prospectus included therein) and, in the case of the accountants' comfort letter, with respect to events subsequent to the date of such financial statements, as are customarily covered in opinions of issuer's counsel and in accountants' comfort letters delivered to the underwriters in underwritten public offerings of securities and, in the case of the accountants' comfort letter, such other financial matters, and, in the case of the legal opinion, such other legal matters, as the underwriters may reasonably request;

(vii) cause representatives of the Company to participate in any "road show" or "road shows" reasonably requested by any underwriter of an underwritten or "best efforts" offering of any Registrable Securities;

(viii) notify each seller of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act, upon discovery that, or upon the happening of any event as a result of which, the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading, in the light of the circumstances under which they were made, and at the request of any such seller promptly prepare and furnish to it a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made;

(ix) otherwise use its best efforts to comply with all applicable rules and regulations of the Commission, and make available to its

security holders, as soon as reasonably practicable, an earnings statement covering the period of at least twelve months, but not more than eighteen months, beginning with the first full calendar month after the effective date of such registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 promulgated thereunder, and promptly furnish to each such seller of Registrable Securities a copy of any amendment or supplement to such registration statement or prospectus;

(x) provide and cause to be maintained a transfer agent and registrar (which, in each case, may be the Company) for all Registrable Securities covered by such registration statement from and after a date not later than the effective date of such registration; and

(xi) if any class of securities of the Company is listed on any national securities exchange or automated quotation system at the time of the effectiveness of any registration statement, the Company shall use its best efforts to list all Registrable Securities covered by such registration statement on such national securities exchange or automated quotation system.

The Company may require each seller of Registrable Securities as to which any

registration is being effected to furnish the Company in a reasonably prompt manner such information regarding such seller and the distribution of such securities as the Company may from time to time reasonably request in writing; provided, that any such information shall be given or made by a seller of Registrable Securities without representation or warranty of any kind whatsoever except representations with respect to the identity of such seller, such seller's Registrable Securities and such seller's intended method of distribution or any other representations required by applicable law.

Each holder of Registrable Securities agrees by acquisition of such Registrable Securities that, upon receipt of any notice from the Company of the happening of any event of the kind described in subdivision (viii) of this Section 2.3, such holder will forthwith discontinue such holder's disposition of Registrable Securities pursuant to the registration statement relating to such Registrable Securities until such holder's receipt of the copies of the supplemented or amended prospectus contemplated by subdivision (viii) of this Section 2.3 and, if so directed by the Company, will deliver to the Company (at the Company's expense) all copies, other than permanent file copies, then in such holder's possession of the prospectus relating to such Registrable Securities current at the time of receipt of such notice.

2.4 Underwritten Offerings.

(a) Requested Underwritten Offerings. If requested by the underwriters for any underwritten offering by holders of Registrable Securities pursuant to a registration requested under Section 2.1, the Company will use its best

efforts to enter into an underwriting agreement with such underwriters for such offering, such agreement to be reasonably satisfactory in substance and form to each such holder of Registrable Securities and the underwriters and to contain such representations and warranties by the Company and such other terms as are generally prevailing in agreements of that type, including, without limitation, indemnities to the effect and to the extent provided in Section 2.7. The holders of the Registrable Securities proposed to be sold by such underwriters will reasonably cooperate with the Company in the negotiation of the underwriting agreement. Such holders of Registrable Securities to be sold by such underwriters shall be parties to such underwriting agreement and may, at their option, require that any or all of the representations and warranties by, and the other agreements on the part of, the Company to and for the benefit of such underwriters shall also be made to and for the benefit of such holders of Registrable Securities and that any or all of the conditions precedent to the obligations of such underwriters under such underwriting agreement be conditions precedent to the obligations of such holders of Registrable Securities. No holder of Registrable Securities shall be required to make any representations or warranties to, or agreements with, the Company other than representations or warranties regarding the identity of such holder, such holder's Registrable Securities and such holder's intended method of distribution or any other representations required by applicable law.

(b) Incidental Underwritten Offerings. If the Company proposes to register any of its securities under the Securities Act as contemplated by Section 2.2 and such securities are to be distributed by or through one or more underwriters, the Company will, if requested by any Requesting Holder of Registrable Securities, use its best efforts to arrange for such underwriters to include all the Registrable Securities to be offered and sold by such Requesting Holder among the securities of the Company to be distributed by such underwriters, subject to the provisions of Section 2.2(b). The holders of Registrable Securities to be distributed by such underwriters shall be parties to the underwriting agreement between the Company and such underwriters and may, at their option, require that any or all of the representations and warranties by, and the other agreements on the part of, the Company to and for the benefit of such underwriters shall also be made to and for the benefit of such holders of Registrable Securities and that any or all of the conditions precedent to the obligations of such underwriters under such underwriting agreement be conditions precedent to the obligations of such holders of Registrable Securities. Any such Requesting Holder of Registrable Securities shall not be required to make any representations or warranties to or agreements with the Company or the underwriters other than representations or warranties regarding the identity of such Requesting Holder, such Requesting Holder's Registrable Securities and such Requesting Holder's intended method of distribution or any other representations required by applicable law.

(c) Underwriting Discounts and Commission. The holders of Registrable Securities sold in any offering pursuant to Section 2.4(a) or

Section 2.4(b) shall pay all underwriting discounts and commissions of the underwriter or underwriters with respect to the Registrable Securities sold

thereby.

2.5 Preparation; Reasonable Investigation. In connection with the preparation and filing of each registration statement under the Securities Act pursuant to this Agreement, the Company will give the holders of Registrable Securities registered under such registration statement, the underwriters, if any, and their respective counsel the opportunity to participate in the preparation of such registration statement, each prospectus included therein or filed with the Commission, and each amendment thereof or supplement thereto, and will give each of them such reasonable access to its books and records and such opportunities to discuss the business of the Company with its officers and the independent public accountants who have certified its financial statements as shall be necessary, in the opinion of such holders' and such underwriters' respective counsel, to conduct a reasonable investigation within the meaning of the Securities Act.

2.6 Limitations, Conditions and Qualifications to Obligations under Registration Covenants. The Company shall be entitled to postpone for a reasonable period of time (but not exceeding 90 days) the filing of any registration statement otherwise required to be prepared and filed by it pursuant to Section 2.1 if the Company determines, in its good faith judgment, that such registration and offering would interfere with any material financing, acquisition, corporate reorganization or other material transaction involving the Company or any of its affiliates and promptly gives the holders of Registrable Securities requesting registration thereof pursuant to Section 2.1 written notice of such determination, containing a general statement of the reasons for such postponement and an approximation of the anticipated delay. If the Company shall so postpone the filing of a registration statement, holders of Registrable Securities requesting registration thereof pursuant to Section 2.1, representing not less than 33-1/3% of the Registrable Securities with respect to which registration has been requested and constituting not less than 66-2/3% of the Initiating Holders, shall have the right to withdraw the request for registration by giving written notice to the Company within 30 days after receipt of the notice of postponement and, in the event of such withdrawal, such request shall not be counted for purposes of the requests for registration to which holders of Registrable Securities are entitled pursuant to Section 2.1 hereof.

2.7 Indemnification.

(a) Indemnification by the Company. The Company will, and hereby does, indemnify and hold harmless, in the case of any registration statement filed pursuant to Section 2.1 or 2.2, each seller of any Registrable Securities covered by such registration statement and each other Person who participates as an underwriter in the offering or sale of such securities and each other Person, if any, who controls such seller or any such underwriter within the meaning of the Securities Act, and their respective directors, officers, partners, members, agents and affiliates against any losses, claims, damages or liabilities, joint or several,

to which such seller or underwriter or any such director, officer, partner, member, agent, affiliate or controlling person may become subject under the Securities Act or otherwise, including, without limitation, the fees and expenses of legal counsel (including those incurred in connection with any claim for indemnity hereunder), insofar as such losses, claims, damages or liabilities (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any registration statement under which such securities were registered under the Securities Act, any preliminary prospectus, final prospectus or summary prospectus contained therein, or any amendment or supplement thereto, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein in light of the circumstances in which they were made not misleading, and the Company will reimburse such seller or underwriter and each such director, officer, partner, member, agent, affiliate and controlling Person for any legal or any other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, liability, action or proceeding; provided, however, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, liability (or action or proceeding in respect thereof) or expense arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement, any such preliminary prospectus, final prospectus, summary prospectus, amendment or supplement in reliance upon and in conformity with written information furnished to the Company by or on behalf of such seller or underwriter, as the case may be, specifically stating that it is for use in the preparation thereof; and provided, further, that the Company shall not be liable to any Person who participates as an underwriter in the offering or sale of Registrable Securities or any other Person, if any, who controls such underwriter within the meaning of the Securities Act, in any such case to the extent that any such loss, claim, damage, liability (or action or proceeding in respect thereof) or expense arises out of such Person's failure to send or give a copy of the final prospectus, as the same may be then

supplemented or amended, to the Person asserting an untrue statement or alleged untrue statement or omission or alleged omission at or prior to the written confirmation of the sale of Registrable Securities to such Person if such statement or omission was corrected in such final prospectus. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such seller or any such director, officer, partner, member, agent or controlling person and shall survive the transfer of such securities by such seller.

(b) Indemnification by the Sellers. As a condition to including any Registrable Securities in any registration statement, the Company shall have received an undertaking satisfactory to it from the prospective seller of such Registrable Securities, to indemnify and hold harmless (in the same manner and to the same extent as set forth in Section 2.7(a)) the Company, and each director of the Company, each officer of the Company and each other Person, if any, who participates as an underwriter in the offering or sale of such securities and each other Person who controls the Company or any such underwriter within the meaning of the

Securities Act, with respect to any statement or alleged statement in or omission or alleged omission from such registration statement, any preliminary prospectus, final prospectus or summary prospectus contained therein, or any amendment or supplement thereto, if such statement or alleged statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by such seller specifically stating that it is for use in the preparation of such registration statement, preliminary prospectus, final prospectus, summary prospectus, amendment or supplement; provided, however, that the liability of such indemnifying party under this Section 2.7(b) shall be limited to the amount of the net proceeds received by such indemnifying party in the offering giving rise to such liability. Such indemnity shall remain in full force and effect, regardless of any investigation made by or on behalf of the Company or any such director, officer or controlling person and shall survive the transfer of such securities by such seller.

(c) Notices of Claims, etc. Promptly after receipt by an indemnified party of notice of the commencement of any action or proceeding involving a claim referred to in Section 2.7(a) or (b), such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party, give written notice to the latter of the commencement of such action; provided, however, that the failure of any indemnified party to give notice as provided herein shall not relieve the indemnifying party of its obligations under the preceding subdivisions of this Section 2.7, except to the extent that the indemnifying party is actually prejudiced by such failure to give notice. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it may wish, to assume the defense thereof, with counsel reasonably satis factory to such indemnified party; provided, however, that any indemnified party may, at its own expense, retain separate counsel to participate in such defense. Notwithstanding the foregoing, in any action or proceeding in which both the Company and an indemnified party is, or is reasonably likely to become, a party, such indemnified party shall have the right to employ separate counsel at the Company's expense and to control its own defense of such action or proceeding if, in the reasonable opinion of counsel to such indemnified party, (a) there are or may be legal defenses available to such indemnified party or to other indemnified parties that are different from or additional to those available to the Company or (b) any conflict or potential conflict exists between the Company and such indemnified party that would make such separate representation advisable; provided, however, that in no event shall the Company be required to pay fees and expenses under this Section 2.7 for more than one firm of attorneys in any jurisdiction in any one legal action or group of related legal actions. No indemnifying party shall be liable for any settle ment of any action or proceeding effected without its written consent, which consent shall not be unreasonably withheld. No indemnifying party shall, without the consent of the indemnified party, consent to entry of any judgment or enter into any settlement that does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect

to such claim or litigation or which requires action other than the payment of money by the indemnifying party.

(d) Contribution. If the indemnification provided for in this Section 2.7 shall for any reason be held by a court to be unavailable to an indemnified party under Section 2.7(a) or (b) hereof in respect of any loss, claim, damage or liability, or any action in respect thereof, then, in lieu of the amount paid or payable under Section 2.7(a) or (b), the indemnified party and the indemnifying party under Section 2.7(a) or (b) shall contribute to the

aggregate losses, claims, damages and liabilities (including legal or other expenses reasonably incurred in connection with investigating the same, including those incurred in connection with any claim for indemnity hereunder), (i) in such proportion as is appropriate to reflect the relative fault of the Company and the prospective sellers of Registrable Securities covered by the registration statement which resulted in such loss, claim, damage or liability, or action or proceeding in respect thereof, with respect to the statements or omissions which resulted in such loss, claim, damage or liability, or action or proceeding in respect thereof, as well as any other relevant equitable considerations or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as shall be appropriate to reflect the relative benefits received by the Company and such prospective sellers from the offering of the securities covered by such registration statement; provided, however, that for purposes of this clause (ii), the relative benefits received by the prospective sellers shall be deemed not to exceed the amount of proceeds received by such prospective sellers. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation. Such prospective sellers' obligations to contribute as provided in this Section 2.7(d) are several in proportion to the relative value of their respective Registrable Securities covered by such registration statement and not joint. In addition, no Person shall be obligated to contribute hereunder any amounts in payment for any settlement of any action or claim effected without such Person's consent, which consent shall not be unreasonably withheld.

(e) Other Indemnification. Indemnification and contribution similar to that specified in the preceding subdivisions of this Section 2.7 (with appropriate modifications) shall be given by the Company and each seller of Registrable Securities with respect to any required registration or other qualification of securities under any federal or state law or regulation of any governmental authority other than the Securities Act.

(f) Indemnification Payments. The indemnification and contribution required by this Section 2.7 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or expense, loss, damage or liability is incurred.

3. Definitions. As used herein, unless the context otherwise requires, the following terms have the following respective meanings:

"Commission" means the Securities and Exchange Commission or any other federal agency at the time administering the Securities Act.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, or any similar federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time. Reference to a particular section of the Securities Exchange Act of 1934, as amended, shall include a reference to the comparable section, if any, of any such similar Federal statute.

"Hart-Scott-Rodino Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

"Person" means any individual, firm, corporation, partnership, limited liability company, trust, incorporated or unincorporated association, joint venture, joint stock company, government (or an agency or political subdivision thereof) or other entity of any kind.

"Purchaser Stock" means the number of shares of Common Stock represented by the sum of the Preferred Stock (assuming the conversion of the Preferred Stock to Common Stock) and the Common Stock issued pursuant to the Purchase Agreement (taking into account appropriate adjustments to such number as a result of any dividend, stock split, merger, consolidation, combination, reclassification, reorganization or other similar event with respect to the Preferred Stock or Common Stock).

"Registrable Securities" means any shares of Common Stock issued or issuable upon conversion of the Preferred Stock, any Related Registrable Securities and any shares of Common Stock owned by the Purchaser. As to any particular Registrable Securities, once issued, such securities shall cease to be Registrable Securities when (a) a registration statement with respect to the sale of such securities shall have become effective under the Securities Act and such securities shall have been disposed of in accordance with such registration statement, (b) they shall have been sold as permitted by Rule 144 (or any successor provision) under the Securities Act and the purchaser thereof does not receive "restricted securities" as defined in Rule 144, (c) they shall have been otherwise transferred, new certificates for them not bearing a legend restricting further transfer shall have been delivered by the Company and subsequent public distribution of them shall not, in the opinion of counsel for the holders, require registration of them under the Securities Act or (d) they

shall have ceased to be outstanding. All references to percentages of Registrable Securities shall be calculated pursuant to Section 9.

"Registration Expenses" means all expenses incident to the Company's performance of or compliance with Section 2, including, without limitation, all registration and filing fees, all fees of any national securities exchange or automated quotation system, all fees and expenses of complying with securities or blue sky laws,

all word processing, duplicating and printing expenses, messenger and delivery expenses, the fees and disbursements of counsel for the Company and of its independent public accountants, including the expenses of "cold comfort" letters required by or incident to such performance and compliance, any fees and disbursements of underwriters customarily paid by issuers or sellers of securities (excluding any underwriting discounts or commissions with respect to the Registrable Securities) and the reasonable fees and expenses of one counsel to the Selling Holders (selected by Selling Holders representing at least 50% of the Registrable Securities covered by such registration). Notwithstanding the foregoing, in the event the Company shall determine, in accordance with Section 2.2(a) or Section 2.6, not to register any securities with respect to which it had given written notice of its intention to so register to holders of Registrable Securities, all of the costs of the type (and subject to any limitation to the extent) set forth in this definition and incurred by Requesting Holders in connection with such registration on or prior to the date the Company notifies the Requesting Holders of such determination shall be deemed Registration Expenses.

"Related Registrable Securities" means with respect any shares of Preferred Stock (or shares of Common Stock issued or issuable upon conversion of the Preferred Stock) and Common Stock, any securities of the Company or any other Person which are issued or issuable in respect of, or in exchange for, such shares of Preferred Stock or Common Stock by way of a dividend or stock split or as a result of a merger, consolidation, combination, reclassification, reorganization or otherwise.

"Securities Act" means the Securities Act of 1933, as amended, or any similar Federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time. References to a particular section of the Securities Act of 1933, as amended, shall include a reference to the comparable section, if any, of any such similar Federal statute.

4. Rule 144 and Rule 144A. The Company shall take all actions reasonably necessary to enable holders of Registrable Securities to sell such securities without registration under the Securities Act within the limitation of the provisions of (a) Rule 144 under the Securities Act, as such Rule may be amended from time to time, (b) Rule 144A under the Securities Act, as such Rule may be amended from time to time, or (c) any similar rules or regulations hereafter adopted by the Commission. Upon the request of any holder of Registrable Securities, the Company will deliver to such holder a written statement as to whether it has complied with such requirements.

5. Amendments and Waivers. This Agreement may be amended with the consent of the Company and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company shall have obtained the written consent to such amendment, action or omission to act, of the holder or holders of at least 50% of the Registrable Securities affected by such amendment, action or omission to act. Each holder of any

Registrable Securities at the time or thereafter outstanding shall be bound by any consent authorized by this Section 5, whether or not such Registrable Securities shall have been marked to indicate such consent.

6. Nominees for Beneficial Owners. In the event that any Registrable Securities are held by a nominee for the beneficial owner thereof, the beneficial owner thereof may, at its election in writing delivered to the Company, be treated as the holder of such Registrable Securities for purposes of any request or other action by any holder or holders of Registrable Securities pursuant to this Agreement or any determination of any number or percentage of shares of Registrable Securities held by any holder or holders of Registrable Securities contemplated by this Agreement. If the beneficial owner of any Registrable Securities so elects, the Company may require assurances reasonably satisfactory to it of such owner's beneficial ownership of such Registrable Securities.

7. Notices. All notices, demands and other communications provided for or permitted hereunder shall be made in writing and shall be by registered or certified first-class mail, return receipt requested, telecopier,

courier service or personal delivery:

(a) if to the Purchaser, addressed to it in the manner set forth in the Purchase Agreement, or at such other address as the Purchasers shall have furnished to the Company in writing in the manner set forth herein;

(b) if to any other holder of Registrable Securities, at the address that such holder shall have furnished to the Company in writing in the manner set forth herein, or, until any such other holder so furnishes to the Company an address, then to and at the address of the last holder of such Registrable Securities who has furnished an address to the Company; or

(c) if to the Company, addressed to it in the manner set forth in the Purchase Agreement, or at such other address as the Company shall have furnished to each holder of Registrable Securities at the time outstanding in the manner set forth herein.

All such notices and communications shall be deemed to have been duly given: when delivered by hand, if personally delivered; when delivered to a courier, if delivered by overnight courier service; five Business Days after being deposited in the mail, postage prepaid, if mailed; and when receipt is acknowledged, if telecopied.

8. Assignment. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and, with respect to the Company, its respective successors and permitted assigns and, with respect to the Purchasers, any holder of any Registrable Securities, subject to the provisions respecting the minimum numbers of percentages of shares of Registrable Securities

required in order to be entitled to certain rights, or take certain actions, contained herein. Except by operation of law, this Agreement may not be assigned by the Company without the prior written consent of the holders of a majority in interest of the Registrable Securities outstanding at the time such consent is requested.

9. Calculation of Percentage Interests in Registrable Securities. For purposes of this Agreement, all references to a percentage of the Registrable Securities shall be calculated based upon the number of shares of Registrable Securities outstanding at the time such calculation is made, assuming the conversion of all the outstanding Preferred Stock.

10. No Inconsistent Agreements. The Company will not hereafter enter into any agreement with respect to its securities that is inconsistent with the rights granted to the holders of Registrable Securities in this Agreement. Without limiting the generality of the foregoing, the Company will not hereafter enter into any agreement with respect to its securities that grants, or modifies any existing agreement with respect to its securities to grant, to the holder of its securities in connection with an incidental registration of such securities higher priority to the rights granted to the Purchaser under Section 2.2(b).

11. Remedies. Each holder of Registrable Securities, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Agreement. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Agreement and hereby agrees to waive the defense in any action for specific performance that a remedy at law would be adequate.

12. Certain Distributions. The Company shall not at any time make a distribution on or with respect to the Common Stock (including any such distribution made in connection with a consolidation or merger in which the Company is the resulting or surviving corporation and such Registrable Securities are not changed or exchanged) of securities of another issuer if holders of Registrable Securities are entitled to receive such securities in such distribution as holders of Registrable Securities and any of the securities so distributed are registered under the Securities Act, unless the securities to be distributed to the holders of Registrable Securities are also registered under the Securities Act.

13. Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstances, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be in any way impaired thereby, it being intended that all of the rights and privileges of the Purchasers shall be enforceable to the fullest extent permitted by law.

14. Entire Agreement. This Agreement, together with the Purchase Agreement (including the exhibits and schedules thereto), is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein and therein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein and therein. This Agreement and the Purchase Agreement (including the exhibits and schedules thereto) supersede all prior agreements and understandings between the parties with respect to such subject matter.

15. Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

16. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE.

17. Counterparts. This Agreement may be executed in multiple counterparts, each of which when so executed shall be deemed an original and all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their respective representatives hereunto duly authorized as of the date first above written.

VAALCO ENERGY, INC.

By:/s/ Robert L. Gerry III

Name: Robert L Gerry III
Title: Chief Executive Officer

THE 1818 FUND II, L.P.

By: Brown Brothers Harriman & Co.
General Partner

By:/s/ T. Michael Long

Name: T. Michael Long
Partner

VAALCO ENERGY, INC.

CERTIFICATE OF DESIGNATION
OF CONVERTIBLE PREFERRED STOCK,
SERIES A SETTING FORTH THE POWERS,
PREFERENCES, RIGHTS, QUALIFICATIONS,
LIMITATIONS AND RESTRICTIONS OF
SUCH PREFERRED STOCK

Pursuant to Section 151 of the Delaware General Corporation Law, VAALCO ENERGY, INC., a Delaware corporation (the "Corporation"), DOES HEREBY CERTIFY:

That pursuant to the authority conferred upon the Board of Directors of the Corporation by the Certificate of Incorporation of the Corporation (the "Charter"), the Board of Directors of the Corporation on February 9, 1998 duly adopted the following resolution creating a series of Preferred Stock designated as Convertible Preferred Stock, Series A and such resolution has not been modified and is in full force and effect on the date hereof:

RESOLVED that, pursuant to the authority vested in the Board of Directors of the Corporation in accordance with the provisions of the Charter, a series of authorized Preferred Stock, par value $25.00 per share, of the Corporation are hereby created and that the designation and number of shares thereof and the voting powers, preferences and relative, participating, optional and other special rights of the shares of such series of Preferred Stock, and the qualifications, limitations and restrictions thereof are as follows:

Section 1. DESIGNATION AND NUMBER.

(a) The shares of such series of Preferred Stock shall be designated as "Convertible Preferred Stock, Series A" ("Preferred Stock"). The number of shares initially constituting the Preferred Stock shall be 10,000, which number may be decreased (but not increased) by the Board of Directors without a vote of stockholders; PROVIDED, HOWEVER, that such number may not be decreased below the number of then outstanding shares of such series of Preferred Stock.

(b) The Preferred Stock shall, with respect to rights on liquidation, dissolution or winding up, rank prior to all other classes and series of Junior Stock of the Corporation now or hereafter authorized including, without limitation, the Common Stock.

(c) Capitalized terms used herein and not otherwise defined shall have the meanings set forth in Section 9 below.

Section 2. DIVIDENDS AND DISTRIBUTIONS. In the event that the Corporation shall declare a cash dividend or make any other distribution (including, without limitation, in capital stock (which shall include, without limitation, any options, warrants or other rights to acquire capital stock) of the Corporation, whether or not pursuant to a shareholder rights plan, "poison pill" or similar arrangement, or other property or assets) to holders of Common Stock, then the Board of Directors shall declare, and the holder of each share of Preferred Stock shall be entitled to receive, a dividend or distribution in an amount equal

to the amount of such dividend or distribution received by a holder of the number of shares of Common Stock for which such share of Preferred Stock is convertible on the record date for such dividend or distribution. Any such amount shall be paid to the holders of shares of Preferred Stock at the same time such dividend or distribution is made to holders of Common Stock.

The holders of shares of Preferred Stock shall not be entitled to receive any dividends or other distributions except as provided herein.

Section 3. VOTING RIGHTS.

In addition to any voting rights provided by law, the holders of shares of Preferred Stock shall have the following voting rights:

(a) Except as otherwise required by applicable law and so long as the Preferred Stock is outstanding, each share of Preferred Stock shall entitle the holder thereof to vote, in person or by proxy or written consent, at a special or annual meeting of stockholders or in connection with any stockholder action taken in lieu of a meeting of stockholders, on all matters voted on by holders of Common Stock, including the election of directors, voting together as a single class with all other shares entitled to vote thereon. With respect to any such vote, each share of Preferred Stock shall entitle the holder thereof to cast that number of votes per share as is equal to the number of votes that such holder would be entitled to cast had such holder converted his shares of

Preferred Stock into Common Stock on the record date for determining the stockholders of the Corporation eligible to vote on any such matters.

(b) Unless the consent or approval of a greater number of shares shall then be required by law, the affirmative vote of the holders of at least 66-2/3% of the outstanding shares of Preferred Stock, voting separately as a single class, in person or by proxy, at a special or annual meeting of stockholders called for the purpose, shall be necessary to (i) authorize, adopt or approve an amendment to the Charter that would increase or decrease the par value of the shares of Preferred Stock, or alter or change the powers, preferences or special rights of the shares of Preferred Stock, (ii) amend, alter or repeal the Charter so as to affect the shares of Preferred Stock adversely, including, without limitation, by granting any voting right to any holder of notes, bonds, debentures or other debt obligations of the Corporation, or (iii) authorize, increase the authorized number of shares of, or issue (including on conversion or exchange of any convertible or exchangeable securities or by reclassification) any additional shares of Preferred Stock.

(c) The holders of shares of Preferred Stock shall have, in addition to the other voting rights set forth herein, the exclusive right, voting separately as a single class, to elect three directors of the Corporation, by written consent as provided herein, or at a special meeting of such holders called as provided herein, one of which director shall be elected to each of the corporation's three classes if the Corporation has a classified Board of Directors. Such directors shall continue as directors (subject to reelection or removal as provided in Section 3(d)(ii)) and the holders of Preferred Stock shall have such class voting rights until such time as the number of outstanding shares of Preferred Stock represent (after giving effect to any adjustments) on a fully-diluted basis less than 5% of the total number of shares of Common Stock outstanding, at which time such additional director shall cease to be a director and such additional voting rights of the holders of Preferred Stock shall terminate subject to revesting in the event of each and every subsequent event of the character indicated above.

(d) (i) The foregoing right of holders of shares of Preferred Stock to take any action as provided in Section 3(c) may be exercised at any annual meeting of stockholders or at a special meeting of holders of shares of Preferred Stock held for such purpose as hereinafter provided or at any adjournment thereof, or by the written consent, delivered to the Secretary of the Corporation, of the holders of the minimum number of shares required to take such action.

So long as such right to vote continues (and unless such right has been exercised by written consent of the minimum number of shares required to take such action), the Chief Executive Officer or President of the Corporation may call, and upon the written request of holders of record of at least 5% of the outstanding shares of Preferred Stock, addressed to the Secretary of the Corporation at the principal office of the Corporation, shall call, a special meeting of the holders of shares entitled to vote as provided herein. Such meeting shall be held within 30 days after delivery of such request to the Secretary, at the place and upon the notice provided by law and in the by-laws of the Corporation for the holding of meetings of stockholders.

(ii) At each meeting of stockholders at which the holders of shares of Preferred Stock shall have the right, voting separately as a single class, to elect three directors of the Corporation as provided in Section 3(c) or to take any action, the presence in person or by proxy of the holders of record of one-third of the total number of shares of Preferred Stock then outstanding and entitled to vote on the matter shall be necessary and sufficient to constitute a quorum. At any such meeting or at any adjournment thereof:

(A) the absence of a quorum of the holders of shares of Preferred Stock shall not prevent the election of directors other than those to be elected by the holders of shares of Preferred Stock, and the absence of a quorum of the holders of shares of any other class or series of capital stock shall not prevent the election of directors to be elected by the holders of shares of Preferred Stock, or the taking of any action as provided in this Section 3: and

(B) in the absence of a quorum of the holders of shares of Preferred Stock, a majority of the holders of such shares present in person or by proxy shall have the power to adjourn the meeting as to the actions to be taken by the holders of shares of Preferred Stock from time to time and place to place without notice other than announcement at the meeting until a quorum shall be present.

For taking of any action as provided in Section 3(b) or Section 3(c) by the holders of shares of Preferred Stock, each such holder shall have one vote for each share of such stock standing in his or her name on the transfer books of the Corporation as of any record date fixed for such purpose or, if no such date be fixed, at the close of business on the Business Day next preceding the day on which notice is given, or if notice is waived, at the close

of business on the Business Day next preceding the day on which the meeting is held; provided, however, that shares of Preferred Stock held by the Corporation or any Affiliate of the Corporation shall not be deemed to be outstanding for purposes of taking any action as provided in this Section 3.

Each director elected by the holders of shares of Preferred Stock as provided in Section 3(c) shall, unless his or her term shall expire earlier in accordance with the

provisions thereof, hold office until the annual meeting of stockholders at which directors of the class stand for election or until his or her successor, if any, is elected and qualified.

If any director so elected by the holders of Preferred Stock shall cease to serve as a director before his or her term shall expire (except by reason of the termination of the voting rights accorded to the holders of Preferred Stock in accordance with Section 3(c)), the holders of the Preferred Stock then outstanding and entitled to vote for such director may, by written consent as provided herein, or at a special meeting of such holders called as provided herein, elect a successor to hold office for the unexpired term of the director whose place shall be vacant.

Any director elected by the holders of shares of Preferred Stock voting separately as a single class may be removed from office with or without cause by the vote or written consent of the holders of at least a majority of the outstanding shares of Preferred Stock, at the time of removal. A special meeting of the holders of shares of Preferred Stock may be called in accordance with the procedures set forth in Section 3(d)(i).

Section 4. REDEMPTION. The Corporation shall not have any right to redeem any shares of Preferred Stock.

Section 5. REACQUIRED SHARES.

Any shares of Preferred Stock converted, exchanged, redeemed, purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares of Preferred Stock shall upon their cancellation become authorized but unissued shares of preferred stock, par value $25.00 per share, of the Corporation and, upon the filing of an appropriate Certificate of Designation with the Secretary of State of the State of Delaware, may be reissued as part of another series of preferred stock, par value $25.00 per share, of the Corporation subject to the conditions or restrictions on issuance set forth herein, but in any event may not be reissued as shares of Preferred Stock or other Parity Stock unless all of the shares of Preferred Stock issued on the Issue Date shall have already been redeemed, converted or exchanged.

Section 6. LIQUIDATION, DISSOLUTION OR WINDING UP.

(a) If the Corporation shall commence a voluntary case under the United States bankruptcy laws or any applicable bankruptcy, insolvency or similar law of any other country, or consent to the entry of an order for relief in an involuntary case under any such law or to the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the Corporation or of any substantial part of its property, or make an assignment for the benefit of its creditors, or admit in writing its inability to pay its debts generally as they become due (any such event, a "Voluntary Liquidation Event"), or if a decree or order for relief in respect of the Corporation shall be entered by a court having jurisdiction in the premises in an involuntary case under the United States bankruptcy laws or any applicable bankruptcy, insolvency or similar law of any other country, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the Corporation or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and on account of any such event the Corporation shall liquidate, dissolve or wind up, or if the Corporation shall otherwise liquidate, dissolve or wind up, no distribution shall be made (i) to the holders of

shares of Junior Stock unless, prior thereto, the holders of shares of Preferred Stock shall have received the Liquidation Preference.

(b) Neither the consolidation or merger of the Corporation with or into any other Person nor the sale or other distribution to another Person of all or substantially all the assets, property or business of the Corporation shall be deemed to be a liquidation, dissolution or winding up of the Corporation for purposes of this Section 6.

Section 7. CONVERSION.

(a) Any holder of Preferred Stock shall have the right, at its option, at any time and from time to time, to convert, subject to the terms and

provisions of this Section 7, any or all of such holder's shares of Preferred Stock into such number of fully paid and non-assessable shares of Common Stock as is equal, subject to Section 7(g), to the product of the number of shares of Preferred Stock being so converted multiplied by the quotient of (i) the Purchase Price divided by (ii) the Conversion Price (as defined below) then in effect. The Conversion Price shall be $1.00, subject to adjustment as set forth in Section 7(d). Such conversion right shall be exercised by the surrender of the shares to be converted to the Corporation at any time during usual business hours at its principal place of business to be maintained by it, accompanied by written notice that the holder elects to convert such shares and specifying the name or names (with address) in which a certificate or certificates for shares of Common Stock are to be issued and (if so required by the Corporation) by a written instrument or instruments of transfer in form reasonably satisfactory to the Corporation duly executed by the holder or its duly authorized legal representative and transfer tax stamps or funds therefor, if required pursuant to Section 7(j). All shares of Preferred Stock surrendered for conversion shall be delivered to the Corporation for cancellation and cancelled by it and no shares of Preferred Stock shall be issued in lieu thereof.

(b) As promptly as practicable after the surrender, as herein provided, of any shares of Preferred Stock for conversion pursuant to Section 7(a), the Corporation shall deliver to or upon the written order of the holder of such shares so surrendered a certificate or certificates representing the number of fully paid and non-assessable shares of Common Stock into which such shares of Preferred Stock may be or have been converted in accordance with the provisions of this Section 7. Subject to the following provisions of this paragraph and of Section 7(d), such conversion shall be deemed to have been made immediately prior to the close of business on the date that such shares of Preferred Stock shall have been surrendered in satisfactory form for conversion, and the Person or Persons entitled to receive the Common Stock deliverable upon conversion of such shares of Preferred Stock shall be treated for all purposes as having become the record holder or holders of such Common Stock at such appropriate time, and such conversion shall be at the Conversion Price in effect at such time; PROVIDED, HOWEVER, that no surrender shall be effective to constitute the Person or Persons entitled to receive the Common Stock deliverable upon such conversion as the record holder or holders of such Common Stock while the share transfer books of the Corporation shall be closed (but not for any period in excess of five days), but such surrender shall be effective to constitute the Person or Persons entitled to receive such Common Stock as the record holder or holders thereof for all purposes immediately prior to the close of business on the next succeeding day on which such share transfer books are open, and such conversion shall be deemed to have been made at, and shall be made at the Conversion Price in effect at, such time on such next succeeding day.

(c) To the extent permitted by law, when shares of Preferred Stock are converted, all dividends declared and unpaid on the Preferred Stock so converted to the date of conversion shall be immediately due and payable and must accompany the shares of Common Stock issued upon such conversion.

(d) The Conversion Price shall be subject to adjustment as follows:

(i) In case the Corporation shall at any time or from time to time (A) pay a dividend or make a distribution (other than a dividend or distribution paid or made to holders of shares of Preferred Stock in the manner provided in Section 2) on the outstanding shares of Common Stock in capital stock (which, for purposes of this Section 7(d) shall include, without limitation, any dividends or distributions in the form of options, warrants or other rights to acquire capital stock) of the Corporation, (B) subdivide the outstanding shares of Common Stock into a larger number of shares, (C) combine the outstanding shares of Common Stock into a smaller number of shares, or (D) issue any shares of its capital stock in a reclassification of the Common Stock then, and in each such case, the Conversion Price in effect immediately prior to such event shall be adjusted (and any other appropriate actions shall be taken by the Corporation) so that the holder of any share of Preferred Stock thereafter surrendered for conversion shall be entitled to receive the number of shares of Common Stock or other securities of the Corporation that such holder would have owned or would have been entitled to receive upon or by reason of any of the events described above, had such share of Preferred Stock been converted immediately prior to the occurrence of such event. An adjustment made pursuant to this Section 7(d)(i) shall become effective retroactively (A) in the case of any such dividend or distribution, to a date immediately following the close of business on the record date for the determination of holders of Common Stock entitled to receive such dividend or distribution or (B) in the case of any such subdivision, combination or reclassification, to the close of business on the day upon which such corporate action becomes effective.

(ii) In case the Corporation shall at any time or from time to time issue shares of Common Stock (or securities convertible into or exchangeable for Common Stock, or any options, warrants or other rights

to acquire shares of Common Stock) for a consideration per share less than the Current Market Price per share of Common Stock then in effect at the record date or issuance date, as the case may be (the "Date"), referred to in the following sentence (treating the price per share of any security convertible or exchangeable or exercisable into Common Stock as equal to (A) the sum of the price for such security convertible, exchangeable or exercisable into Common Stock plus any additional consideration payable (without regard to any anti-dilution adjustments) upon the conversion, exchange or exercise of such security into Common Stock divided by (B) the number of shares of Common Stock initially underlying such convertible, exchangeable or exercisable security), then, and in each such case, the Conversion Price then in effect shall be adjusted by dividing the Conversion Price in effect on the day immediately prior to the Date by a fraction (x) the numerator of which shall be the sum of the number of shares of Common Stock outstanding on the Date plus the number of additional shares of Common Stock issued or to

be issued (or the maximum number into which such convertible or exchangeable securities initially may convert or exchange or for which such options, warrants or other rights initially may be exercised) and (y) the denominator of which shall be the sum of the number of shares of Common Stock outstanding on the Date plus the number of shares of Common Stock which the aggregate consideration for the total number of such additional shares of Common Stock so issued or would be issued upon the conversion, exchange or exercise of such convertible or exchangeable securities or options, warrants or other rights (plus the aggregate amount of any additional consideration initially payable upon such conversion, exchange or exercise of such security) would purchase at the Current Market Price per share of Common Stock on the Date. Such adjustment shall be made whenever such shares, securities, options, warrants or other rights are issued, and shall become effective retroactively to a date immediately following the close of business (i) in the case of issuance to stockholders of the Corporation, as such, on the record date for the determination of stockholders entitled to receive such shares, securities, options, warrants or other rights and (ii) in all other cases, on the date ("issuance date") of such issuance; PROVIDED that: (A) the determination as to whether an adjustment is required to be made pursuant to this Section 7(d)(ii) shall be made upon the issuance of such shares or such convertible or exchangeable securities, options, warrants or other rights; (B) if any convertible or exchangeable securities, options, warrants or other rights (or any portions thereof) which shall have given rise to an adjustment pursuant to this Section 7(d)(ii) shall have expired or terminated without the exercise thereof and/or if by reason of the terms of such convertible or exchangeable securities, options, warrants or other rights there shall have been an increase or increases, with the passage of time or otherwise, in the price payable upon the exercise or conversion thereof, then the Conversion Price hereunder shall be readjusted (but to no greater extent than originally adjusted) on the basis of (x) eliminating from the computation any additional shares of Common Stock corresponding to such convertible or exchangeable securities, options, warrants or other rights as shall have expired or terminated, (y) treating the additional shares of Common Stock, if any, actually issued or issuable pursuant to the previous exercise of such convertible or exchangeable securities, options, warrants or other rights as having been issued for the consideration actually received and receivable therefor and (z) treating any of such convertible or exchangeable securities, options, warrants or other rights which remain outstanding as being subject to exercise or conversion on the basis of such exercise or conversion price as shall be in effect at this time; and (C) no adjustment in the Conversion Price shall be made pursuant to this Section 7(d)(ii) as a result of any issuance of securities by the Corporation in respect of which an adjustment to the Conversion Price is made pursuant to Section 7(d)(i).

(iii) In the case the Corporation, at any time or from time to time, shall take any action affecting its Common Stock similar to or having an effect similar to any of the actions described in any of Section 7(d)(i) and Section 7(d)(ii), or Section 7(h) (but not including any action described in any such Section) and the Board of Directors of the Corporation in good faith determines that it would be equitable in the circumstances to adjust the Conversion Price as a result of such action, then, and in each such case, the

Conversion Price shall be adjusted in such manner and at such time as the Board of Directors of the Corporation in good faith determines would be equitable in the circumstances (such determination to be evidenced in a resolution, a certified copy of which shall be mailed to the holders of the Preferred Stock).

(iv) Notwithstanding anything herein to the contrary, no

adjustment under this Section 7(d) need be made to the Conversion Price unless such adjustment would require an increase or decrease of at least 1% of the Conversion Price then in effect. Any lesser adjustment shall be carried forward and shall be made at the time of and together with the next subsequent adjustment, which, together with any adjustment or adjustments so carried forward, shall amount to an increase or decrease of at least 1% of such Conversion Price. Any adjustment to the Conversion Price carried forward and not theretofore made shall be made immediately prior to the conversion of any shares of Preferred Stock pursuant hereto.

(v) Notwithstanding anything herein to the contrary, no adjustment under this Section 7(d) shall be made upon the grant of options to employees or directors of the Corporation pursuant to benefit plans approved by the Board of Directors of the Corporation or upon the issuance of shares of Common Stock upon exercise of such options if the exercise price thereof was not less than the Market Price of the Common Stock on the date such options were granted.

(e) If the Corporation shall take a record of the holders of its Common Stock for the purpose of entitling them to receive a dividend or other distribution, and shall thereafter and before the distribution to stockholders thereof legally abandon its plan to pay or deliver such dividend or distribution, then thereafter no adjustment in the Conversion Price then in effect shall be required by reason of the taking of such record.

(f) Upon any increase or decrease in the Conversion Price, then, and in each such case, the Corporation promptly shall deliver to each registered holder of Preferred Stock at least 10 Business Days prior to effecting any of the foregoing transactions a certificate, signed by the President or a Vice-President and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary of the Corporation, setting forth in reasonable detail the event requiring the adjustment and the method by which such adjustment was calculated and specifying the increased or decreased Conversion Price then in effect following such adjustment.

(g) No fractional shares or scrip representing fractional shares shall be issued upon the conversion of any shares of Preferred Stock. If more than one share of Preferred Stock shall be surrendered for conversion at one time by the same holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate Purchase Price of the shares of Preferred Stock so surrendered. If the conversion of any share or shares of Preferred Stock results in a fraction, an amount equal to such fraction multiplied by the Current Market Price of the Common Stock on the Business Day preceding the day of conversion shall be paid to such holder in cash by the Corporation.

(h) In case of any capital reorganization or reclassification or other change of outstanding shares of Common Stock (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 any consolidation or merger of the Corporation with or into another Person (other than a consolidation or merger in which the Corporation is the resulting or surviving Person and which does not result in any reclassification or change of outstanding Common Stock), or in case of any sale or other disposition to another Person of all or substantially all of the assets of the Corporation (any of the foregoing, a "Transaction"), the Corporation, or such successor or purchasing Person, as the case may be, shall execute and deliver to each holder of Preferred Stock at least 10 Business Days prior to effecting any of the foregoing Transactions a certificate that the holder of each share of Preferred Stock then outstanding shall have the right thereafter to convert such share of Preferred Stock into the kind and amount of shares of stock or other securities (of the Corporation or another issuer) or property or cash receivable upon such Transaction by a holder of the number of shares of Common Stock into which such share of Preferred Stock could have been converted immediately prior to such Transaction. Such certificate shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 7. If, in the case of any such Transaction, the stock, other securities, cash or property receivable thereupon by a holder of Common Stock includes shares of stock or other securities of a Person other than the successor or purchasing Person and other than the Corporation, which controls or is controlled by the successor or purchasing Person or which, in connection with such Transaction, issues stock, securities, other property or cash to holders of Common Stock, then such certificate also shall be executed by such Person, and such Person shall, in such certificate, specifically acknowledge the obligations of such successor or purchasing Person and acknowledge its obligations to issue such stock, securities, other property or cash to the holders of Preferred Stock upon conversion of the shares of Preferred Stock as provided above. The provisions of this Section 7(h) and any equivalent thereof in any such certificate similarly shall apply to successive Transactions.

(i) The Corporation shall at all times reserve and keep available for issuance upon the conversion of the Preferred Stock, such number of its

authorized but unissued shares of Common Stock as will from time to time be sufficient to permit the conversion of all outstanding shares of Preferred Stock, and shall take all action required to increase the authorized number of shares of Common Stock if at any time there shall be insufficient authorized but unissued shares of Common Stock to permit such reservation or to permit the conversion of all outstanding shares of Preferred Stock.

(j) The issuance or delivery of certificates for Common Stock upon the conversion of shares of Preferred Stock shall be made without charge to the converting holder of shares of Preferred Stock for such certificates or for any tax in respect of the issuance or delivery of such certificates or the securities represented thereby, and such certificates shall be issued or delivered in the respective names of, or (subject to compliance with the applicable provisions of federal and state securities laws) in such names as may be directed by, the holders of the shares of Preferred Stock converted; PROVIDED, HOWEVER, that the Corporation shall not be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of any such certificate in a name other than that of the holder of the shares of Preferred Stock converted, and the Corporation shall not be required to issue or deliver such certificate unless or until the Person or Persons requesting the issuance or delivery thereof shall have paid to the Corporation the amount of such tax or shall have established to the reasonable satisfaction of the Corporation that such tax has been paid.

Section 8. CERTAIN REMEDIES.

Any registered holder of Preferred Stock shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Certificate of Designation and to enforce specifically the terms and provisions of this Certificate of Designation in any court of the United States or any state thereof having jurisdiction, this being in addition to any other remedy to which such holder may be entitled at law or in equity.

Section 9. DEFINITIONS.

For the purposes of this Certificate of Designation of Preferred Stock, the following terms shall have the meanings indicated:

"Affiliate" shall have the meaning ascribed to such term in Rule 12b-2 of the General Rules and Regulations under the Exchange Act; PROVIDED that "Affiliate" shall not include the Purchaser or any Affiliate of the Purchaser.

"Business Day" shall mean any day other than a Saturday, Sunday or other day on which commercial banks in the City of New York are authorized or required by law or executive order to close.

"Common Stock" shall mean and include the Common Stock, par value $0.10 per share, of the Corporation and each other class of capital stock of the Corporation that does not have a preference over any other class of capital stock of the Corporation as to dividends or upon liquidation, dissolution or winding up of the Corporation and, in each case, shall include any other class of capital stock of the Corporation into which such stock is reclassified or reconstituted.

"Current Market Price" per share shall mean, on any date specified herein for the determination thereof, (a) the average daily Market Price of the Common Stock for those days during the period of 20 days, ending on such date, which are Trading Days, and (b) if the Common Stock is not then listed or admitted to trading on any national securities exchange or quoted in the over-the-counter market, the Market Price on such date.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Securities and Exchange Commission thereunder.

"Issue Date" shall mean the first date on which shares of Preferred Stock are issued.

"Junior Stock" shall mean any capital stock of the Corporation ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Preferred Stock including, without limitation, the Common Stock.

"Liquidation Preference" with respect to a share of Preferred Stock shall mean $10.00.

"Market Price" shall mean, per share of Common Stock on any date specified herein: (a) the closing price per share of the Common Stock on such date published in the Wall Street Journal or, if no such closing price on such date is published in the Wall Street Journal, the average of the closing bid and asked prices on such date, as

officially reported on the principal national securities exchange on which the Common Stock is then listed or admitted to trading; or (b) if the Common Stock is not then listed or admitted to trading on any national securities exchange but is designated as a national market system security by the NASD, the last trading price of the Common Stock on such date; or (c) if there shall have been no trading on such date or if the Common Stock is not so designated, the average of the reported closing bid and asked prices of the Common Stock on such date as shown by NASDAQ and reported by any member firm of the New York Stock Exchange, Inc. selected by the Corporation. If none of (a), (b) or (c) is applicable, Market Price shall mean a market price per share determined at the Corporation's expense by an appraiser chosen by the holders of a majority of the shares of Preferred Stock or, if no such appraiser is so chosen more than twenty business days after notice of the necessity of such calculation shall have been delivered by the Corporation to the holders of Preferred Stock, then by an appraiser chosen by the Corporation.

"NASD" shall mean the National Association of Securities Dealers Inc.

"NASDAQ" shall mean the National Market System of the National Association of Securities Dealers, Inc. Automated Quotations System.

"Parity Stock" shall mean any capital stock of the corporation ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Preferred Stock.

"Person" shall mean any individual, firm, corporation, partnership, trust, incorporated or unincorporated association, limited liability company, joint venture, joint stock company, government (or an agency or political subdivision thereof) or other entity of any kind, and shall include any successor (by merger) of such entity.

"Purchase Price" means $2,750 per share of Preferred Stock.

"Purchaser" shall mean The 1818 Fund II, L.P., a Delaware limited partnership.

"Senior Stock" shall mean any capital stock of the Corporation ranking senior (either as to dividends or upon liquidation, dissolution or winding up) to the Preferred Stock.

"Subsidiary" shall mean, with respect to any Person, a corporation or other entity of which 50% or more of the voting power of the voting equity securities or equity interest is owned, directly or indirectly, by such Person.

"Trading Day" shall mean a day on which the national securities exchanges are open for trading.

IN WITNESS WHEREOF, VAALCO ENERGY, INC. has caused this Certificate to be duly executed in its corporate name on this ____ day of _____, 1998.

VAALCO ENERGY, INC.

By
Name:
Title:

ATTEST:

By
Name:
Title:

VAALCO ENERGY, INC.
4600 Post Oak Place, Suite 309
Houston, Texas 770027

April 21, 1998

The 1818 Fund II, L.P.
c/o Brown Brothers Harriman & Co.
59 Wall Street
New York, NY 10005

Robert L. Gerry
W. Russell Scheirman
c/o Vaalco Energy, Inc.
4600 Post Office Place, Suite 309
Houston, Texas 77027

Gentlemen:

Reference is made to (i) the Stock Acquisition Agreement and Plan of Reorganization, dated as of February 17, 1998 and amended as of April 21, 1998 (the "Stock Acquisition Agreement"), among Vaalco Energy, Inc., a Delaware corporation ("Vaalco"), The 1818 Fund II, L.P., a Delaware limited partnership (the "Fund"), and 1818 Oil Corp., a Delaware corporation ("1818 Oil"), and (ii) the Private Placement Memorandum dated April 15, 1998 of Vaalco (the "PPM").

Vaalco hereby agrees that it shall, as soon as practicable after the date hereof, take all action necessary to amend the Certificate of Incorporation of Vaalco (including, without limitation, causing a special meeting of the stockholders of Vaalco to be called or circulating a written consent and mailing an information statement to stockholders in connection with any stockholder action taken by written consent) so that Vaalco will have reserved and available for issuance such number of authorized but unissued shares of Common Stock, par value $.10 per share (the "Common Stock"), of Vaalco as would be sufficient to permit the conversion of all outstanding (i) shares of Preferred Stock, par value $25.00 per share (the "Preferred Stock"), of Vaalco and (ii) options, warrants or similar rights with respect to shares of Common Stock (collectively, the "Options"), and each of the undersigned agrees to vote all of their shares of Common Stock and Preferred Stock in favor of such amendment.

Notwithstanding anything to the contrary contained in the Certificate of Designation of the Preferred Stock or in any plan or agreement pursuant to which any Options were issued (collectively, the "Option Agreements'), each of the undersigned

hereby understands and agrees that, upon the consummation of the transactions contemplated by the Stock Acquisition Agreement and the PPM, Vaalco will not have reserved and available for issuance such number of authorized but unissued shares of Common Stock as would be sufficient to permit the conversion of all outstanding Options and shares of Preferred Stock and each of the undersigned hereby waives any breach by Vaalco of the terms of the Preferred Stock or any Option Agreement in connection therewith.

In furtherance of the foregoing, each person listed below agrees not to convert the number of Options or shares of Preferred Stock set forth opposite their name until such time as Vaalco has reserved and available for issuance such number of authorized but unissued shares of Common Stock as would be sufficient to permit the conversion of all outstanding Options and shares of Preferred Stock:

	Shares of Preferred Stock	Options
The 1818 Fund II, L.P.	364	
Robert L. Gerry		500,000
W. Russell Scheirman		500,000

Vaalco shall notify each of the undersigned at such time as Vaalco has reserved and available for issuance such number of authorized but unissued shares of Common Stock as would be sufficient to permit the conversion of all outstanding Options and shares of Preferred Stock.

This letter agreement may be executed in counterparts, each of which will be deemed an original but all of which together will constitute one and the same instrument.

VAALCO ENERGY, INC.

By:/s/ Robert L. Gerry III

Name: Robert L. Gerry III
Title: Chief Executive Officer

Accepted and Agreed to,
as of this 21 day of April, 1998

THE 1818 FUND II, L.P.

By: Brown Brothers Harriman & Co.,
its general partner

By:/s/ T. Michael Long

Name: T. Michael Long
Title: Partner

/s/ Robert L. Gerry III

Robert L. Gerry III

/s/ W. Russell Scheirman

W. Russell Scheirman