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

FORM 10-QSB

(Mark One)
[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2002

[_] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-20928

VAALCO Energy, Inc.
(Exact name of small business issuer as specified in its charter)

Delaware	76-0274813
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4600 Post Oak Place
Suite 309
Houston, Texas 77027
(Address of principal executive offices) (Zip Code)

Issuer's telephone number: (713) 623-0801

Transitional Small Business Disclosure Format (Check one)
Yes ___ No X

As of November 14, 2002 there were outstanding 20,836,350 shares of Common Stock, $.10 par value per share, of the registrant. In addition, as of November 14, 2002 there were outstanding 10,000 shares of Preferred Stock convertible into 27,500,000 shares of Common Stock.

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VAALCO ENERGY, INC. AND SUBSIDIARIES

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VAALCO ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(in thousands of dollars, except par value amounts)

<TABLE>

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	September 30, 2002	December 31, 2001
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 6,500	$ 9,804
Funds in escrow	10,038	38
Receivables:		
Trade	142	179
Accounts with partners	2,794	--
Other	212	255
Crude oil inventory at cost	600	--
Materials, fuel and supplies, net of allowance for inventory obsolescence of $5	739	324
Prepaid expenses and other	196	34
Total current assets	21,221	10,634
PROPERTY AND EQUIPMENT-SUCCESSFUL EFFORTS METHOD		
Wells, platforms and other production facilities	24,762	2,648
Undeveloped acreage	515	459
Work in progress	--	6,692
Equipment and other	129	98
	25,406	9,897
Accumulated depreciation, depletion and amortization	(2,177)	(2,026)
Net property and equipment	23,229	7,871
OTHER ASSETS:		
Deferred tax asset	392	393
Other long-term assets	848	50
TOTAL	$ 45,690	$ 18,948
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 13,300	$ 1,173
Accounts with partners	--	4,323
Current portion of long term debt	2,000	--
Income taxes payable	2	30
Total current liabilities	15,302	5,526
LONG TERM DEBT	13,215	--
MINORITY INTEREST	340	13
FUTURE ABANDONMENT COSTS	3,294	3,294
Total liabilities	32,151	8,833
STOCKHOLDERS' EQUITY:		
Preferred stock, $25 par value, 500,000 shares authorized; 10,000 shares issued and outstanding in 2002 and 2001	250	250
Common stock, $.10 par value, 100,000,000 authorized shares 20,836,350 and 20,749,964 shares issued in 2002 and 2001 of which 5,395 are in the treasury	2,084	2,075
Additional paid-in capital	46,412	41,215
Subscription receivable	(569)	--
Accumulated deficit	(34,626)	(33,413)
Less treasury stock, at cost	(12)	(12)
Total stockholders' equity	13,539	10,115
TOTAL	$ 45,690	$ 18,948

</TABLE>

See notes to consolidated financial statements.

VAALCO ENERGY, INC. AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED OPERATIONS
(Unaudited)
(in thousands of dollars, except per share amounts)

<TABLE>

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	Three Months Ended September 30,		Nine months Ended September 30,	
	2002	2001	2002	2001
<S>	<C>	<C>	<C>	<C>
REVENUES:				
Oil and gas sales	$ 199	$ 396	$ 671	$ 1,230
Gain on sale of assets	--	--	--	215
Total revenues	199	396	671	1,445
OPERATING COSTS AND EXPENSES:				
Production expenses	136	195	356	504
Exploration expense	48	--	57	--
Depreciation, depletion and amortization	40	73	147	125
General and administrative expenses	307	494	1,005	1,282
Total operating costs and expenses	531	762	1,565	1,911
OPERATING LOSS	(332)	(366)	(894)	(466)
OTHER INCOME (EXPENSE):				
Interest income	44	28	89	250
Interest expense and financing charges	(375)	--	(375)	--
Equity loss in unconsolidated entities	--	2	--	(443)
Other, net	(22)	4	(31)	2
Total other income (expense)	(353)	34	(317)	(191)
LOSS BEFORE TAXES	(685)	(332)	(1,211)	(657)
Income tax expense	--	(1)	2	16
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	$ (685)	$ (331)	$ (1,213)	$ (673)
LOSS PER COMMON SHARE:				
BASIC AND DILUTED	$ (0.03)	$ (0.02)	$ (0.06)	$ (0.03)
WEIGHTED AVERAGE COMMON SHARES:				
BASIC AND DILUTED	20,788	20,745	20,760	20,745

</TABLE>

See notes to consolidated financial statements.

VAALCO ENERGY, INC. AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED CASH FLOWS
(Unaudited)
(in thousands of dollars)

<TABLE>
<CAPTION>

	Nine months Ended September 30,	
	2002	2001
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (1,213)	$ (673)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, depletion and amortization	147	125
Equity loss in unconsolidated entities	--	443
Exploration expense	57	--
Gain on sale of assets	--	(215)
Change in assets and liabilities that provided (used) cash:		
Funds in Escrow	--	715
Trade receivables	37	29
Accounts with partners	(7,117)	(63)
Other receivables	43	31
Crude oil inventory	(600)	--
Materials, fuel and supplies	(415)	(1)
Prepaid expenses and other	(161)	(114)
Accounts payable and accrued liabilities	12,127	45
Income taxes payable	(28)	(10)
Net cash provided by operating activities	2,877	312
CASH FLOWS FROM INVESTING ACTIVITIES:		
Disposals of property and equipment	--	1,023
Exploration expense	(57)	--
Additions to property and equipment	(15,509)	(6,000)
Funds in Escrow	(10,000)	--
Investment in unconsolidated entities	--	169
Other	(467)	4
Net cash used in investing activities	(26,033)	(4,804)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	15,215	--
Proceeds from issuance of common stock in subsidiary and from the issuance of warrants	-- 4,637	-- --
Net cash provided by financing activities	19,852	--
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,304)	(4,492)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	9,804	12,440
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 6,500	$ 7,948
Cash Income Taxes Paid	$ --	$ 21
Cash Interest Paid	$ 35	$ 21

</TABLE>

See notes to consolidated financial statements.

VAALCO ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002
(Unaudited)

1. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of VAALCO Energy, Inc. and

subsidiaries (collectively, "VAALCO" or the "Company"), included herein are unaudited, but include all adjustments consisting of normal recurring accruals which the Company deems necessary for a fair presentation of its financial position, results of operations and cash flows for the interim period. Such results are not necessarily indicative of results to be expected for the full year. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Form 10-KSB for the year ended December 31, 2001.

VAALCO Energy, Inc., a Delaware corporation, is a Houston-based independent energy company principally engaged in the acquisition, exploration, development and production of crude oil and natural gas. VAALCO owns producing properties and conducts exploration activities as operator of consortiums internationally in the Philippines and Gabon. Domestically, the Company has interests in the Texas Gulf Coast area.

VAALCO's Philippine subsidiaries include Alcorn (Philippines) Inc., Alcorn (Production) Philippines Inc. and Altisima Energy, Inc. VAALCO's Gabon subsidiaries are VAALCO Gabon (Etame), Inc. and VAALCO Production (Gabon), Inc. VAALCO Energy (USA), Inc. holds interests in certain properties in the United States.

2. RECENT DEVELOPMENTS

On September 8, 2002 the Company, as Operator of the Etame Field offshore Gabon, commenced production from the field at an average rate in excess of 14,000 BOPD.

In the fourth quarter of 2001, the Company, as Operator, announced its intent to develop the Etame discovery located offshore of the Republic of Gabon. Based upon estimates by the Company's independent reserve engineers, the Company recorded 6.1 million barrels of proved undeveloped oil reserves at December 31, 2001 representing $23.1 million of net present value of future cash flows in conjunction with the plan to develop the field.

The budget for the field development was $54.3 million dollars ($16.5 million net to the Company) to complete and gravel pack three existing wells with subsea wellheads, and to lay flowlines to connect the wells to a 1.1 million barrel floating production storage and offloading tanker ("FPSO"). Major contracts for the FPSO, wellheads, flowlines, and the drilling rig were awarded and entered into to perform the project. A semi-submersible drilling rig completed the three wells. A flowline installation vessel installed six flowlines (two for each well) and three control umbilicals from the wells to the location where the FPSO was moored. The FPSO had completed retrofitting in Singapore and arrived on location on August 29, 2002 and was moored and ready to receive the flowlines on September 3, 2002. Flowline hookup was completed on September 7, 2002 and production commenced the next day.

To fund its share of the development project, the Company entered into a line of credit for $10.0 million with the International Finance Corporation ("IFC"), a subsidiary of the World Bank. The loan agreement was signed on April 19, 2002. The first draw of $7.0 million was made in early July 2002. The balance of the loan was funded in early October 2002. Prior to project completion date, which is projected to occur 90 days after first oil production, the IFC loan is guaranteed by the Company via cash received from loans from the 1818 Fund II, L.P. (the "1818 Fund") and an investor.

During the third quarter of 2002, the 1818 Fund loan was amended and raised from $10 million to $13 million in the form of a subordinated note secured by a second lien on certain collateral with respect to the Company's investment in VAALCO Gabon (Etame), Inc. including the $10 million cash collateral to support the Company's guarantee of the IFC loan. The interest rate on the loan is 10%. The $3 million increase in the loan was part of $6.0 million in additional financing obtained by the Company from an investor to help pay for its share of the development project and other planned exploration activities on the Etame Block. The Company established a new subsidiary, VAALCO International, Inc., which owns VAALCO Gabon (Etame), Inc., the subsidiary that owns the interest in the Gabon Production Sharing Contract. An investor agreed to provide $3.0 million of equity net of transaction costs and the $3.0 million additional loan mentioned above in return for a 9.99% stake in VAALCO International, Inc. VAALCO Energy, Inc will own the remaining 90.01% of the stock of VAALCO International Inc.

In conjunction with receiving the 1818 Fund loan, the Company on June 10,

2002 issued 15 million warrants, each of which entitles the holder to purchase one share of the Company's Common Stock at a price of $0.50 per share, 7.5 million of which will be cancelled if project completion occurs on the Etame Block. In conjunction with the additional $3.0 million loan, the Company on August 30, 2002 issued 4.5 million warrants, each of which entitles the holder to purchase one share of the Company's Common Stock at a price of $0.50 per share, 2.25 million of which will be cancelled if project completion occurs on the Etame Block. Management has allocated $2.465 million of the anticipated proceeds from the $13 million loan to the warrants, which has been accounted for in the equity section of the balance sheet as additional paid in capital, with a corresponding offset to debt discount, which is being amortized to interest expense. The allocation is based on the relative fair values of the loan and the warrants. The valuation of the warrants is based upon a Black Scholes model, adjusted for liquidity issues associated with a potential sale of such a large volume of shares. The Company formed an independent committee of the Board of Directors, which received a fairness opinion with regards to the terms of the 1818 Fund loan.

As of the date of this filing, $10.0 million of the 1818 Fund loan has been drawn, which has been placed in escrow to guarantee the IFC loan until project completion. If certain conditions are met, the Company could draw down the additional $3.0 million available under the 1818 Fund Loan. If the $3.0 million balance of the 1818 Fund loan is not drawn,

1818 Fund will return 4.5 million of its warrants on May 1, 2003. The Company is carrying a subscription receivable associated with the $3.0 million balance of the 1818 Fund loan which has not been drawn, which would be extinguished if the 4.5 million warrants are returned. At the present time, the Company does not anticipate drawing the remaining $3.0 million balance available under the 1818 Fund loan.

Summary of Short and Long Term Debt as of September 30, 2002
(Thousands of dollars)

IFC loan	7,000
1818 Fund loan	
1818 Fund	7,000
Investor	3,000
Less debt discount for issuance of warrants	
1818 Fund	(1,307)
Investor	(589)
Amortization of debt discount	111
Total Short and Long Term Debt	15,215

3. EARNINGS PER SHARE

The weighted average common shares outstanding represent those of VAALCO for the applicable periods.

The Company accounts for earnings per share in accordance with Statement of Financial Accounting Standards ("SFAS") No. 128 - "Earnings per Share," which establishes the requirements for presenting earnings per share ("EPS"). SFAS No. 128 requires the presentation of "basic" and "diluted" EPS on the face of the income statement. Basic EPS is calculated using the average number of common shares outstanding during each period. Diluted EPS assumes the conversion of preferred stock to common stock and the exercise of all stock options having exercise prices less than the average market price of the common stock using the treasury stock method. The Company's preferred stock is convertible into 27,500,000 shares of common stock. As all of the convertible securities were anti-dilutive at September 30, 2002, basic EPS is equal to diluted EPS.

4. RECENT ACCOUNTING PRONOUNCEMENTS

On July 20, 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." The Statements change the accounting for business combinations and goodwill in two significant ways. SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Use of the pooling-of-interests method will be prohibited. SFAS No. 142 changes the accounting for goodwill from an amortization method to an impairment-only approach. Thus, amortization of goodwill, including goodwill recorded in past business combinations, will cease upon

VAALCO ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002
(Unaudited)

adoption of that statement, which for the Company was January 1, 2002. The adoption of these statements did not have a material effect on the Company's financial position, results of operations or cash flows.

In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible, long-lived assets and the associated asset retirement costs. This Statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred by capitalizing it as part of the carrying amount of the long-lived assets. As required by SFAS No. 143, the Company will adopt this new accounting standard on January 1, 2003. The Company is currently evaluating the effects of adopting this pronouncement.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This Statement establishes a single accounting model for the impairment or disposal of long-lived assets. As required by SFAS No. 144, the Company adopted this new standard on January 1, 2001. The adoption of this statement did not have a material effect on the Company's financial position, results of operation or cash flows.

In April 2002 the FASB issued Statement on SFAS No. 145, "Recission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections", to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that are similar to sale-leaseback transactions. The statement also amends other existing pronouncements. This statement is effective for fiscal years beginning after May 15, 2002. The impact of adopting this statement on the consolidated financial position or results of operations is not expected to be material.

In June 2002 the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities", which addresses accounting and reporting for costs associated with exit and disposal activities and replaces Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)". This statement is effective for exit or disposal activities that are initiated after December 31, 2002. The impact of adopting this statement on the consolidated financial position or results of operations is not expected to be material.

VAALCO ENERGY, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report includes "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended ("Exchange Act"). All statements other than statements of historical fact included in this report (and the exhibits hereto), including without limitation, statements regarding the Company's financial position and estimated quantities and net present values of reserves, are forward looking statements. The Company can give no assurances that the assumptions upon which such statements are based will prove to have been correct. Important factors that could cause actual results to differ materially from the Company's expectations ("Cautionary Statements") are disclosed in the section "Risk Factors" included in the Company's Forms 10-KSB and other periodic reports filed under the Exchange Act, which are herein incorporated by reference. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified by the Cautionary Statements.

INTRODUCTION

The Company's results of operations are dependent upon the difference between prices received for its oil and gas production and the costs to find and produce such oil and gas. Oil and gas prices have been and are expected in the future to be volatile and subject to fluctuations based on a number of factors beyond the control of the Company. The Company does not presently engage in any hedging

activities and has no plans to do so in the near future.

The Company participated in the development of the Etame Block, which the Company operates on behalf of a consortium of five companies offshore of the Republic of Gabon. The Company administered a $54.3 million budget ($16.5 million net to the Company) to execute the development project. Substantially all of the Company's capital resources and personnel have been dedicated to the completion of the development project in 2002.

The Company's production in the Philippines is from mature offshore fields with high production costs. The Company's margin on sales from these fields (the price received for oil less the production costs for the oil) is lower than the margin on oil production from many other areas. As a result, the profitability of the Company's production in the Philippines is affected more by changes in oil prices than production located in other areas.

The Company's results of operations are also affected by currency exchange rates. While oil sales are denominated in U.S. dollars, operating costs are predominately denominated in pesos. An increase in the exchange rate of pesos to the dollar will have the effect of increasing operating costs while a decrease in the exchange rate will reduce operating costs.

A substantial portion of the Company's oil production is located offshore of the Philippines. The Company produces into barges, which transport the oil to market. Due to weather and other factors, the Company's production is generally higher during the first and fourth quarters of the year.

CRITICAL ACCOUNTING POLICIES

The following describes the critical accounting policies used by VAALCO in reporting its financial condition and results of operations. In some cases, accounting standards allow more than one alternative accounting method for reporting, such is the case with accounting for oil and gas activities described below. In those cases, the Company's reported results of operations would be different should it employ an alternative accounting method.

Successful Efforts Method of Accounting for Oil and Gas Activities.

The Securities and Exchange Commission ("SEC") prescribes in Regulation S-X the financial accounting and reporting standards for companies engaged in oil and gas producing activities. Two methods are prescribed: the successful efforts method and the full cost method. Like many other oil and gas companies, VAALCO has chosen to follow the successful efforts method. Management believes that this method is preferable, as the Company has focused on exploration activities wherein there are risks associated with future success and as such earnings are best represented by attachment to the drilling operations of the Company.

Costs of successful wells, development dry holes and leases containing productive reserves are capitalized and amortized on a unit-of-production basis over the life of the related reserves. Estimated future abandonment and site restoration costs, net of anticipated salvage values, are amortized on a unit of production basis over the life of the related reserves. Other exploration costs, including geological and geophysical expenses applicable to undeveloped leasehold, leasehold expiration costs and delay rentals are expensed as incurred.

In accordance with accounting under successful efforts, the Company reviews proved oil and gas properties for indications of impairment whenever events or circumstances indicate that the carrying value of its oil and gas properties may not be recoverable. When it is determined that an oil and gas property's estimated future net cash flows will not be sufficient to recover its carrying amount, an impairment charge must be recorded to reduce the carrying amount of the asset to its estimated fair value. This may occur if a field discovers lower than anticipated reserves or if commodity prices fall below a level that significantly affects anticipated future cash flows on the field. The Company determines if an impairment has occurred through either identification of adverse changes or as a result of the annual review of all fields. For the year ended December 31, 2001, impairments of $567,145 were recognized. No impairments have been recognized in 2002.

Undeveloped Acreage.

At September 30, 2002, the Company had undeveloped acreage on its balance sheet totaling $515,000, representing costs that are not being amortized pending evaluation of the respective leasehold for future development. Unproved properties are assessed quarterly for impairment in value, with any impairment charged to expense.

VAALCO ENERGY, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAPITAL RESOURCES AND LIQUIDITY

Historically, the Company's primary sources of capital have been from cash flows from operations, private sales of equity, borrowings and purchase money debt. In 2002 and 2001, the Company's primary uses of capital have been to fund its exploration and development operations in Gabon.

The Company commenced production from the Etame field on September 8, 2002. Total production for the month of September was 289,000 gross barrels (74,000 net barrels) of oil. Oil is produced into a tanker and will be sold via ship-to-ship transfers. The crude oil will be sold under a contract with Shell Western Supply and Trading Limited ("Shell") with Shell taking title to the oil upon transfer of the oil to their loading tanker. The contract is denominated in U.S. dollars and will be based on the monthly average of Dated Brent adjusted for transportation costs. The first oil sale occurred in November 2002. The Company carries the costs of producing crude oil stored in the tanker as inventory until the oil is sold.

The Company produces oil from the Matinloc and Nido fields in the South China Sea, the Philippines. During the year ended December 31, 2001, total production from the fields was approximately 308,000 gross barrels (69,000 barrels net) of oil. For the nine months ended September 2002 production from the fields was 186,000 gross barrels (40,000 net barrels) of oil. The Company markets its share of crude oil under an agreement with Caltex, a local Philippines refiner.

Substantially all of the Company's crude oil and natural gas is sold at posted or index prices under short-term contracts, as is customary in the industry. While the loss of either Shell or Caltex as buyers might have a material effect on the Company in the near term, management believes that the Company would be able to obtain other customers for its crude oil.

Domestically, the Company produces from wells in Brazos County, Texas. Domestic production is sold under two contracts, one for oil and one for gas. The Company has access to several alternative buyers for oil and gas sales domestically.

The Company elected to terminate its joint venture with Paramount Petroleum, Inc., effective June 1, 2001. The joint venture focused on domestic onshore prospects in Mississippi, Alabama and Louisiana. In connection with the wind up of the joint venture, the Company received $169,000 in cash, a receivable for $47,000 representing its share of cash in the joint venture and $259,000 of undeveloped acreage representing its proportionate 93.75% working interest in all remaining prospects within the joint venture. Final completion of assignment documentation is ongoing. The Company has an interest in production from two small gas discoveries drilled by the joint venture.

The Company continues to seek financing to fund the development of existing properties and to acquire additional assets. The Company will rely on the issuance of equity and debt securities,

VAALCO ENERGY, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

asset sales and cash flow from operations to provide the required capital for funding future operations. While there can be no assurance the Company will be successful in raising new financing, management believes the prospects the Company has in hand will enable it to attract sufficient capital to fund required oil and gas activities.

During 2002, the Company anticipates that it will make capital expenditures on oil and gas properties of approximately $15.9 million, all in Gabon. The Company has entered into a line of credit for its subsidiary VAALCO Gabon (Etame), Inc. in the amount of $10.0 million with the IFC to partially fund its share of the development project, which loan agreement was signed on April 19, 2002. The first draw of $7.0 million was made in early July 2002. The balance of the loan was funded in early October 2002. Prior to project completion, the IFC loan is to be guaranteed by the Company and cash collateralized with proceeds from a loan from the 1818 Fund. Project completion requires gross project production of 14,250 BOPD and gross proved reserves of 16.5 million barrels and compliance with financial covenants and other conditions, which may not be achieved. The IFC requires project completion to occur prior to March 31, 2003.

During the third quarter of 2002, the 1818 Fund loan was amended and raised from $10 million to $13 million in the form subordinated note secured by a second lien on certain collateral with respect to the Company's investment in VAALCO

Gabon (Etame), Inc. including the $10 million cash collateral to support the Company's guarantee of the IFC loan. The interest rate on the loan is 10%. The $3 million increase in the loan was part of $6.0 million in additional financing obtained by the Company from an investor to help pay for its share of the development project and other planned exploration activities on the Etame Block. The Company established a new subsidiary VAALCO International, Inc., which owns VAALCO Gabon (Etame), Inc., the subsidiary that owns the interest in the Gabon Production Sharing Contract. An investor agreed to provide $3.0 million of equity net of transaction costs and the $3.0 million additional loan mentioned above in return for a 9.99% stake in VAALCO International, Inc. VAALCO Energy, Inc will own the remaining 90.01% of the stock of VAALCO International, Inc.

In conjunction with receiving the 1818 Fund loan, the Company on June 10, 2002 issued 15 million warrants, each of which entitles the holder to purchase one share of the Company's Common Stock at a price of $0.50 per share, 7.5 million of which will be cancelled if project completion occurs on the Etame Block. In conjunction with the additional $3.0 million loan, the Company on August 30, 2002 issued 4.5 million warrants, each of which entitles the holder to purchase one share of the Company's Common Stock at a price of $0.50 per share, 2.25 million of which will be cancelled if project completion occurs on the Etame Block. Management has allocated $2.465 million of the anticipated proceeds from the $13 million loan to the warrants, which has been accounted for in the equity section of the balance sheet as additional paid in capital, with a corresponding offset to debt discount, which is being amortized to interest expense. The allocation is based on the relative fair values of the loan and the warrants. The valuation of the warrants is based upon a Black Scholes model, adjusted for liquidity issues associated with a potential sale of such a large volume of shares. The Company

formed an independent committee of the Board of Directors, which received a fairness opinion with regards to the terms of the 1818 Fund loan.

As of the date of this filing, $10.0 million of the 1818 Fund loan has been drawn, which has been placed in escrow to guarantee the IFC loan until project completion. If certain conditions are met, the Company could draw down the additional $3.0 million available under the 1818 Fund loan. If the $3.0 million balance of the 1818 Fund loan is not drawn, 1818 Fund will return 4.5 million of its warrants on May 1, 2003. The Company is carrying a subscription receivable associated with the $3.0 million balance of the 1818 Fund loan which has not been drawn, which would be extinguished if the 4.5 million warrants are returned. At the present time, the Company does not anticipate drawing the remaining $3.0 million balance available under the 1818 Fund loan.

Summary of Short and Long Term Debt as of September 30, 2002
(Thousands of dollars)

IFC loan	7,000
1818 Fund loan	
1818 Fund	7,000
Investor	3,000
Less debt discount for issuance of warrants	
1818 Fund	(1,307)
Investor	(589)
Amortization of debt discount	111
Total Short and Long Term Debt	15,215

RESULTS OF OPERATIONS

Three months ended September 30, 2002 compared to three months ended September 30, 2001

Revenues

Total revenues were $199 thousand for the three months ended September 30, 2002 compared to $396 thousand for the comparable period in 2001. Lower volumes produced in the Philippines caused the decline in revenues.

Operating Costs and Expenses

Total production expenses for the three months ended September 30, 2002 were $136 thousand compared to $195 thousand during the same period in 2001. Exploration expense of $48 thousand for seismic exploration activities in Gabon was incurred during the three months ending September 30, 2002. Depreciation, depletion and amortization for the three months ending September 30, 2002 was

$40 thousand compared to $73 thousand for the same period in 2001 due to lower volumes producing in Texas during 2002. General and administrative expenses for the three months ended September 30, 2002 and 2001 were $307 thousand and

$494 thousand, respectively. Overhead cost reimbursements associated with the development project in Gabon during 2002 accounted for the decrease in general and administrative costs.

Other Income (Expense)

Interest income of $44 thousand was received from amounts on deposit in 2002 compared to $28 thousand in the quarter ended September 30, 2001. The increase is attributed to higher balances on deposit in 2002 as compared to 2001. Interest expense and financing charges in the quarter ended September 30, 2002 were $375 thousand consisting of $198 thousand in interest expense and $177 thousand of amortization of financing costs associated with the IFC and 1818 Fund loans. With the termination of the Paramount Joint Venture in June 2001, there was no equity gain or loss for unconsolidated entities in the second quarter of 2002, compared to an equity gain in unconsolidated entities in the quarter ended September 30, 2001 of $2 thousand.

Income Taxes

An income tax reduction of $1 thousand for the quarter ending September 30, 2001 was associated with activity in the Philippines. No taxes were due in the quarter ending September 30, 2002.

Net Loss

Net loss attributable to common stockholders for the three months ended September 30, 2002 was $685 thousand, compared to a net loss attributable to common stockholders of $331 thousand for the same period in 2001. The higher net loss in 2002 was primarily due to lower revenues from production, interest expense and financing charges.

Nine months ended September 30, 2002 compared to nine months ended September 30, 2001

Revenues

Total revenues were $671 thousand for the nine months ended September 30, 2002 compared to $1,445 thousand for the comparable period in 2001. Higher production rates plus a gain on the resale of certain interests acquired in Gabon in 2001 contributed to the higher 2001 revenues.

Operating Costs and Expenses

Total production expenses for the nine months ended September 30, 2002 were $356 thousand compared to $504 thousand for the same period in 2001. Expenditures in 2001 included additional activity at the Nido field. Exploration expense of $57 thousand was incurred for exploration activities in Gabon and for seismic reinterpretation in the Philippines during the nine months ending September 30, 2002. Depreciation, depletion and amortization increased from $125 thousand in the nine months ended September 30, 2001 to $147 thousand in the nine months ended September 30, 2002 due to higher depletion rates per barrel oil equivalent from

the Brazos County wells. General and administrative expenses for the nine months ended 2002 and 2001 were $1,005 thousand and $1,282 thousand, respectively. The Company benefited from overhead reimbursements associated with capital expenditure programs in Gabon in both 2002 and 2001.

Other Income (Expense)

Interest income of $89 thousand was received from amounts on deposit in 2002 compared to $250 thousand in the nine months ended September 30, 2001. The decrease is attributed to smaller average balances on deposit in 2002 when compared to 2001 and lower interest rates in 2002. Interest expense and financing charges in the nine months ended September 30, 2002 were $375 thousand consisting of $198 thousand in interest expense and $177 thousand of amortization of financing costs associated with the IFC and 1818 Fund loans. The

equity loss in unconsolidated entities in the nine months ended September 30, 2001 was $443 thousand. The loss reported in the nine months ended September 30, 2001 was associated with the Paramount joint venture and consisted of the write off of unsold prospect costs. The joint venture was terminated on September 30, 2001.

Income Taxes

The Company incurred $2 thousand in income tax expense associated with activity in the Philippines, in the nine months ended September 30, 2002, compared to $16 thousand in 2001 due to greater taxable profits in the Philippines in 2001.

Net Loss

Net loss attributable to common stockholders for the nine months ended September 30, 2002 was $1,213 thousand, compared to a net loss attributable to common stockholders of $673 thousand for the same period in 2001. Lower production rates in 2002 contributed to lower revenues for the nine months ending September 30, 2002 as compared to the comparable period in 2001. Interest expense and financing charges commenced in the third quarter of 2002 on the IFC and 1818 Fund loans. Also in 2001, the Company benefited from the gain on the resale of certain assets acquired in Gabon.

ITEM 3. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures. Based on their evaluation as of a date within 90 days of the filing date of this Quarterly Report on Form 10-Q, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934 (the "Exchange Act")) are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

(b) Changes in Internal Controls. There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II. OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES.

On August 23, 2002, the Company issued warrants to purchase 4.5 million shares of common stock at a price of $0.50 per share, 2.25 million of which the Company will receive back if project completion occurs on the Etame Block. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Capital Resources and Liquidity." The warrants were issued in connection with a loan from an investor, the proceeds of which have been used to collateralize a loan with IFC. The warrants are exercisable for five years from the date of issuance. Half of the warrants issued are immediately exercisable, and warrants to purchase 2.25 million shares of common stock are not exercisable for two years from the date of issuance. The issuance of the warrants was exempt pursuant to Section 4(2) of the Securities Act of 1933.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

3. Articles of Incorporation and Bylaws

3.1 Restated Certificate of Incorporation (incorporated by reference to exhibit 4.1 to the Company's Registration Statement on Form S-3 filed with the Commission on July 15, 1998, Reg. No. 333-59095).

3.2 Certificate of Amendment to Restated Certificate of Incorporation (incorporated by reference to exhibit 4.2 to the Company's Registration Statement on Form S-3 filed with the Commission on July 15, 1998, Reg. No. 333-59095).

3.3 Bylaws (incorporated by reference to exhibit 4.3 to the Company's Registration Statement on Form S-3 filed with the Commission on

July 15, 1998, Reg. No. 333-59095).

3.4 Amendment to Bylaws (incorporated by reference to exhibit 4.4 to the Company's Registration Statement on Form S-3 filed with the Commission on July 15, 1998, Reg. No. 333-59095).

3.5 Designation of Convertible Preferred Stock, Series A (incorporated by reference to exhibit 4.1 to the Company's Report on Form 8-K filed with the Commission on May 6, 1998, File No. 000-20928).

4. Instruments Defining the Rights of Security Holders

4.1 Warrant granted to Nissho Iwai Corporation to purchase 2,250,000 shares, par value $.10, of common stock of the Company dated August 23, 2002.

4.2 Warrant, subject to vesting requirements, granted to Nissho Iwai Corporation to purchase 2,250,000 shares, par value $.10, of common stock of the Company dated August 23, 2002.

10. Material Agreements

10.1 Stock Purchase Agreement dated as of August 23, 2002, by and between the Company, VAALCO International, Inc. and Nissho Iwai Corporation.

10.2 Stockholders' Agreement dated August 23, 2002, by and among the Company, VAALCO International, Inc. and Nissho Iwai Corporation.

10.3 Subscription Agreement between the Company and VAALCO International, Inc. dated August 23, 2002.

10.4 Amended and Restated Registration Rights Agreement by and among the Company, Nissho Iwai Corporation and The 1818 Fund II, L.P. dated as of August 23, 2002.

10.5 Amended and Restated Subordinated Credit Agreement by and between the Company and The 1818 Fund II, L.P. dated as of August 23, 2002.

10.6 Second Amendment to Loan Agreement between VAALCO Gabon (Etame), Inc. and International Finance Corporation dated August 23, 2002.

99. Additional exhibits

99.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act Of 2002.

99.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act Of 2002.

(b) Reports on Form 8-K.

Current report on Form 8-K dated August 19, 2002 reporting Item 9 Regulation FD Disclosure attaching certifications of the Company's Chief Executive Officer and Chief Financial Officer, under Section 906 of the Sarbanes-Oxley Act of 2002, filed August 19, 2002.

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

VAALCO ENERGY, INC.
(Registrant)

By /s/ W. RUSSELL SCHEIRMAN

W. Russell Scheirman, President,
Chief Financial Officer and Director
(on behalf of the Registrant and as the
principal financial officer)

CERTIFICATIONS

I, Robert L. Gerry, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of VAALCO Energy, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Day: November 14, 2002

By: /s/ Robert L. Gerry

Robert L. Gerry, Chief Executive Officer
(principal executive officer)

CERTIFICATIONS

I, W. Russell Scheirman, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of VAALCO Energy, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Day: November 14, 2002

By: /s/ W. Russell Scheirman

W. Russell Scheirman, President and Chief Financial Officer
(principal financial officer)

EXHIBIT INDEX

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EXHIBIT 4.1

EXECUTION COPY

THIS WARRANT AND ANY SECURITIES ACQUIRED UPON THE EXERCISE OF THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR FOREIGN JURISDICTION. NEITHER THIS WARRANT, SUCH SECURITIES NOR ANY INTEREST THEREIN MAY BE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT AND APPLICABLE STATE AND FOREIGN SECURITIES LAWS OR PURSUANT TO AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT AND SUCH LAWS.

VAALCO ENERGY, INC.
COMMON STOCK PURCHASE WARRANT

This certifies that, for good and valuable consideration, VAALCO Energy, Inc., a Delaware corporation (the "Company"), grants to Nissho Iwai Corporation, a corporation organized under the laws of Japan, (the "Warrantholder"), the right to subscribe for and purchase from the Company, during the Exercise Period (as hereinafter defined), two million two hundred fifty thousand (2,250,000) validly issued, fully paid and nonassessable shares, par value $.10, of Common Stock of the Company (the "Warrant Shares"), at the exercise price per share of $.50 (the "Exercise Price"), all subject to the terms, conditions and adjustments herein set forth. Capitalized terms used herein shall have the meanings ascribed to such terms in Section 11 below.

1. Warrant. This Warrant is issued pursuant to, and in accordance with the Stock Purchase Agreement, dated August -- , 2002 between the Company, the Warrantholder and Vaalco International, Inc., a Delaware corporation, (the "Stock Purchase Agreement") and is subject to the terms thereof and hereof.

2. Exercise of Warrant; Payment of Taxes.

2.1 Exercise of Warrant. Subject to the terms and conditions set forth herein, this Warrant may be exercised at any time, in whole or in part, by the Warrantholder during the Exercise Period by:

(a) the surrender of this Warrant to the Company, with a duly executed Exercise Form, and

(b) subject to Section 2.2 below, the delivery of payment to the Company, for the account of the Company, by cash, wire transfer, certified or official bank check or any other means approved by the Company, of the aggregate Exercise Price in lawful money of the United States of America.

The Company agrees that the Warrant Shares shall be deemed to be issued to the Warrantholder as the record holder of such Warrant Shares as of the close of business on the date on which this Warrant shall have been surrendered and payment made of the Exercise Price as aforesaid.

2.2 Conversion Right.

(a) In lieu of the payment of the aggregate Exercise Price, the Warrantholder shall have the right (but not the obligation), to require the Company to convert this Warrant, in whole or in part, into shares of Common Stock (the "Conversion Right") as provided for in this Section 2.2. Upon exercise of the Conversion Right, the Company shall deliver to the Warrantholder (without payment by the Warrantholder of any of the Exercise Price) in accordance with Section 2.2(b) that number of shares of Common Stock equal to the quotient obtained by dividing (i) the value of the Warrant or portion thereof at the time the Conversion Right is exercised (determined by subtracting the aggregate Exercise Price at the time of the exercise of the Conversion Right for the number of shares of Common Stock for which the Warrant is being exercised from the aggregate Current Market Price for the shares of Common Stock issuable upon exercise of the Warrant at the time of the exercise of the Conversion Right for the number of shares of Common Stock for which the Warrant is being exercised) by (ii) the Current Market Price of one share of Common Stock at the time of the exercise of the Conversion Right.

(b) The Conversion Right may be exercised by the Warrantholder on any Business Day prior to the end of the Exercise Period by surrender of this Warrant to the Company, with a duly executed Exercise Form with the conversion section completed, exercising the Conversion Right and specifying the total number of shares of Common Stock that the Warrantholder will be issued pursuant to such conversion.

2.3 Warrant Shares Certificate. A stock certificate or certificates for the Warrant Shares specified in the Exercise Form shall be delivered to the Warrantholder within five (5) Business Days after receipt of the Exercise Form by the Company and, if the Conversion Right is not exercised, the payment by the Warrantholder of the aggregate Exercise Price. If this Warrant shall have been exercised only in part, the Company shall, at the time of delivery of the stock certificate or certificates, deliver to the Warrantholder a new Warrant evidencing the right to purchase the remaining Warrant Shares, which new Warrant shall in all other respects be identical with this Warrant.

2.4 Payment of Taxes. The Company will pay all documentary stamp or other issuance taxes, if any, attributable to the issuance of Warrant Shares upon the exercise of this Warrant; provided, however, that the Company shall not be required to pay any tax or taxes which may be payable in respect of any transfer involved in the issue or delivery of any Warrants or Warrant certificates or Warrant Shares in a name other than that of the then Warrantholder as reflected upon the books of the Company.

3. Restrictions on Transfer; Restrictive Legends.

3.1 Transfer. At no time may this Warrant or the Warrant Shares

be offered, sold, transferred, pledged or otherwise disposed of, in whole or in part, except in accordance with applicable federal and state securities laws.

3.2 Legends.

(a) Except as otherwise permitted by this Section 3, each Warrant (including each Warrant issued upon the transfer of any Warrant) shall be stamped or otherwise imprinted with a legend in substantially the following form:

"This Warrant and any shares acquired upon the exercise of this Warrant have not been registered under the Securities Act of 1933, as amended (the "Act"), or the securities laws of any state of the United States or foreign jurisdiction. Neither this Warrant, such securities nor any interest therein may be transferred except pursuant to an effective registration statement under such Act and applicable state and foreign securities laws or pursuant to an applicable exemption from the registration requirements of such Act and such laws."

(b) Except as otherwise permitted by this Section 3, each certificate for Common Stock (or Other Securities) issued upon the exercise of any Warrant, and each certificate issued upon the transfer of any such Common Stock (or Other Securities), shall be stamped or otherwise imprinted with a legend in substantially the following form:

"The shares represented by this certificate have not been registered under the Securities Act of 1933 and may not be transferred in the absence of such registration or an exemption therefrom under such Act."

4. Reservation and Registration of Shares. The Company covenants and agrees as follows:

(a) All Warrant Shares that are issued upon the exercise of this Warrant shall, upon issuance, be validly issued, not subject to any preemptive rights, and, be free from all taxes, liens, security interests, charges, and other encumbrances with respect to the issuance thereof, other than taxes in respect of any transfer occurring contemporaneously with such issue.

(b) The Company shall at all times have authorized and reserved, and shall keep available and free from preemptive rights, a sufficient number of shares of Common Stock to provide for the exercise of the rights represented by this Warrant.

(c) The Company shall not, by amendment of its Certificate of Incorporation or through any reorganization, transfer of assets, spin-off, consolidation, merger, dissolution, issue or sale of securities or any other action or

inaction, seek to avoid the observance or performance of any of the terms of this Warrant, and shall at all times in good faith assist in performing and giving effect to the terms hereof and in the taking of all such actions as may be necessary or appropriate in order to protect the rights of the Warrantholder against dilution or other impairment.

5. Anti-dilution and Other Adjustments. The Exercise Price and the number of Warrant Shares to be received upon exercise of this Warrant shall be subject to adjustment as follows:

5.1 Dividend, Subdivision, Combination or Reclassification of Common Stock. In the event that the Company shall at any time or from time to time, after the issuance of this Warrant but prior to the exercise hereof, (w) make a dividend or distribution on the outstanding shares of Common Stock payable in Capital Stock, (x) subdivide the outstanding shares of Common Stock into a larger number of shares, (y) combine the outstanding shares of Common Stock into a smaller number of shares or (z) issue any shares of its Capital Stock in a reclassification of the Common Stock (other than any such event for which an adjustment is made pursuant to another clause of this Section 5), then, and in each such case, (A) the aggregate number of Warrant Shares for which this Warrant is exercisable (the "Warrant Share Number") immediately prior to such event shall be adjusted (and any other appropriate actions shall be taken by the Company) so that the Warrantholder shall be entitled to receive upon exercise of this Warrant the number of shares of Common Stock or other securities of the Company that it would have owned or would have been entitled to receive upon or by reason of any of the events described above, had this Warrant been exercised immediately prior to the occurrence of such event and (B) the Exercise Price payable upon the exercise of this Warrant shall be adjusted by multiplying such Exercise Price immediately prior to such adjustment by a fraction, the numerator of which shall be the number of Warrant Shares issuable upon the exercise of this Warrant immediately prior to such adjustment, and the denominator of which shall be the number of Warrant Shares issuable immediately thereafter. An adjustment made pursuant to this Section 5.1 shall become effective retroactively (x) 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 shares of Common Stock entitled to receive such dividend or distribution or (y) 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.

5.2 Issuance of Common Stock or Common Stock Equivalents Below Exercise Price.

(a) If the Company shall at any time or from time to time, after the issuance of this Warrant but prior to the exercise hereof, issue or sell (such issuance or sale, a "New Issuance") any shares of Common Stock or Common Stock Equivalents at a price per share of Common Stock (the "New Issue Price") that is less than the Exercise Price then in effect as of the record date or Issue Date (as defined below), as the case may be (the "Relevant Date') (treating the price per share of Common Stock, in the case of the issuance of any Common Stock Equivalent, as equal to (x) the

sum of the price for such Common Stock Equivalent plus any additional consideration payable (without regard to any anti-dilution adjustments) upon the conversion, exchange or exercise of such Common Stock Equivalent divided by (y) the number of shares of Common Stock initially underlying such Common Stock Equivalent), other than (i) issuances or sales for which an adjustment is made pursuant to another subsection of this Section 5 and (ii) issuances in connection with an Excluded Transaction, then, and in each such case, (A) the Exercise Price then in effect shall be adjusted to equal the New Issue Price and (B) the Warrant Share Number immediately prior to such adjustment shall be increased to equal the product of (i) the aggregate number of Warrant Shares for which this Warrant is exercisable immediately prior to the New Issuance multiplied by (ii) a fraction, the numerator of which shall be the Exercise Price in effect on the day immediately prior to the Relevant Date and the denominator of which shall be the Exercise Price in effect immediately after such adjustment.

Such adjustment shall be made whenever such shares of Common Stock or Common Stock Equivalents are issued, and shall become effective retroactively (x) in the case of an issuance to the stockholders of the Company, as such, to a date immediately following the close of business on the record date for the determination of shareholders entitled to receive such shares of Common Stock or Common Stock Equivalents and (y) in all other cases, on the date (the "Issue Date") of such issuance; provided, however, that the determination as to whether an adjustment is required to be made pursuant to this Section 5.2 shall be made only upon the issuance of such shares of Common Stock or Common Stock Equivalents, and not upon the issuance of any security into which the Common Stock Equivalents convert, exchange or may be exercised.

(b) In case at any time any shares of Common Stock or Common Stock Equivalents or any rights or options to purchase any shares of Common Stock or Common Stock Equivalents shall be issued or sold for consideration other than cash, the consideration received therefor shall be deemed to be the amount received by the Company therefor, without deduction therefrom of any expenses incurred or any underwriting commissions or concessions or discounts paid or allowed by the Company in connection therewith, as determined mutually by the Board of Directors and the Majority Warrantholders or, if the Board of Directors and the Majority Warrantholders shall fail to agree, at the Company's expense by an appraiser chosen by the Board of Directors and reasonably acceptable to the Majority Warrantholders.

5.3 Certain Distributions. In case the Company shall at any time

or from time to time, after the issuance of this Warrant but prior to the exercise hereof, distribute to all holders of shares of Common Stock (including any such distribution made in connection with a merger or consolidation in which the Company is the resulting or surviving Person and shares of Common Stock are not changed or exchanged) cash, evidences of indebtedness of the Company or another issuer, securities of the Company or another issuer or other assets (excluding dividends or distributions payable in shares of Common Stock for which adjustment is made under Section 5.1 and any distribution in connection with an Excluded Transaction) or rights or warrants to subscribe for or purchase any of the foregoing, then, and in each such case, (A) the

Exercise Price in effect immediately prior to the date of distribution shall be adjusted (and any other appropriate actions shall be taken by the Company) by being multiplied by a fraction (i) the numerator of which shall be such Current Market Price of Common Stock immediately prior to the date of distribution less the then fair market value (as determined by the Board of Directors in the exercise of their fiduciary duties) of the portion of the cash, evidences of indebtedness, securities or other assets so distributed or of such rights or warrants applicable to one share of Common Stock and (ii) the denominator of which shall be the Current Market Price of the Common Stock immediately prior to the date of distribution (but such fraction shall not be greater than one) and (B) the Warrant Share Number shall be increased by being multiplied by a fraction (i) the numerator of which shall be the Current Market Price of one share of Common Stock immediately prior to the record date for the distribution of such cash, evidences of indebtedness, securities, other assets or rights or warrants and (ii) the denominator of which shall be the Current Market Price of one share of Common Stock immediately prior to such record date less the fair market value (as determined by the Board of Directors in the exercise of their fiduciary duties) of the portion of such cash, evidences of indebtedness, securities, other assets or rights or warrants so distributed applicable to one share of Common Stock. Such adjustment shall be made whenever any such distribution is made and shall become effective retroactively to a date immediately following the close of business on the record date for the determination of stockholders entitled to receive such distribution.

5.4 Credit Agreement Adjustments.

(a) In the event that the Obligations of the Company to the Warrantholder have not been satisfied in full on or before the earlier of (i) nine (9) months from the First Sale of Production and (ii) eighteen (18) months from the Original Issue Date, then on the last day of such ninth (9th) month or eighteenth (18th) month, as the case may be, and on the last day of each succeeding month until the Obligations of the Company to the Warrantholder have been satisfied in full, the Exercise Price in effect on each such date shall be reduced (and any other appropriate actions shall be taken by the Company) by subtracting from the Exercise Price in effect immediately prior to such adjustment an amount equal to the Exercise Price in effect immediately prior to such adjustment multiplied by a fraction (i) the numerator of which shall be ten percent (10%) of the average daily principal balance outstanding under the Note during such month and (ii) the denominator of which shall be ten million dollars ($10,000,000). In the event that the Exercise Price is required to be adjusted pursuant to this Section 5.4(a) and at the same time an adjustment is required to be made pursuant to Section 5.4(b), then the adjustment required to be made under this Section 5.4(a) shall be made after giving effect to the adjustment required under Section 5.4(b).

(b) If, on the date that is eighteen (18) months from the Original Issue Date, (i) the Obligations of the Company to the Warrantholder have not been satisfied in full and the Market Price on such date (or if such date is not a Business Day, on the immediately preceding Business Day) is less than the Exercise Price then in effect (determined without regard to any adjustments made pursuant to Section 5.4(a)),

then on such date, the Exercise Price then in effect shall be reduced (and any other appropriate actions shall be taken by the Company) to an amount that is equal to eighty percent (80%) of the Current Market Price; provided, however, that in no event, shall any adjustment be made pursuant to this Section 5.4(b) if such adjustment would result in an increase to the Exercise Price in effect immediately prior to such adjustment. In the event that the Exercise Price is required to be adjusted pursuant to this Section 5.4(b) and at the same time an adjustment is required to be made pursuant to Section 5.4(a), then the adjustment required to be made under this Section 5.4(b) shall be made before giving effect to the adjustment required under Section 5.4(a).

5.5 Other Changes. In case the Company at any time or from time to time, after the issuance of this Warrant but prior to the exercise hereof, shall take any action affecting its Common Stock similar to or having an effect similar to any of the actions described in any of Sections 5.1 or 5.4 (but not including any action described in any such Section) and the Board of Directors in good faith determines that it would be equitable in the circumstances to adjust the Exercise Price and Warrant Share Number as a result of such action,

then, and in each such case, the Exercise Price and Warrant Share Number shall be adjusted in such manner and at such time as the Board of Directors 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 Warrantholder).

5.6 No Adjustment; Par Value Minimum. Notwithstanding anything herein to the contrary, no adjustment under this Section 5 need be made to the Exercise Price or Warrant Share Number if the company receives written notice from the Warrantholder that no such adjustment is required. Notwithstanding any other provision of this Warrant, the Exercise Price shall not be adjusted below the par value of a share of Common Stock.; provided, however, that the written consent of the Majority Warrantholders shall be required prior to any increase in the par value of the shares of Common Stock.

5.7 Abandonment. If the Company shall take a record of the holders of shares 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 no adjustment in the Exercise Price or Warrant Share Number shall be required by reason of the taking of such record.

5.8 Certificate as to Adjustments. Upon any adjustment in the Exercise Price or Warrant Share Number, the Company shall within a reasonable period (not to exceed ten (10) days) following any of the foregoing transactions deliver to the Warrantholder a certificate, signed by (i) the Chief Executive Officer of the Company and (ii) the Chief Financial Officer of the Company, setting forth in reasonable detail the event requiring the adjustment and the method by which such adjustment was calculated and specifying the adjusted Exercise Price and Warrant Share Number then in effect following such adjustment.

5.9 Reorganization, Reclassification, Merger or Sale Transaction. In case of any capital reorganization, reclassification, Sale Transaction, merger or consolidation (other than a Sale Transaction or a merger or consolidation of the Company in which the Company is the surviving corporation) of the Company 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) (each, a "Transaction") at any time after the issuance of this Warrant but prior to the exercise hereof, the Company shall execute and deliver to the Warrantholder at least twenty (20) Business Days prior to effecting such Transaction a certificate stating that the Warrantholder shall have the right thereafter to exercise this Warrant for the kind and amount of shares of stock or other securities, property or cash receivable upon such Transaction by a holder of the number of shares of Common Stock into which this Warrant could have been exercised immediately prior to such Transaction, and provision shall be made therefor in the agreement, if any, relating 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 5 and shall contain other terms substantially identical to the terms hereof. 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 Persons and other than the Company, 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 assume the obligations of such successor or purchasing Person and acknowledge its obligations to issue such stock, securities, other property or cash to holders of the Warrants upon exercise thereof as provided above. The provisions of this Section 5.9 and any equivalent thereof in any such certificate similarly shall apply to successive transactions.

5.10 Notices. In case at any time or from time to time:

(a) the Company shall declare a divided (or any other distribution) on its shares of Common Stock;

(b) the Company shall authorize the granting to the holders of shares of its Common Stock rights or warrants to subscribe for or purchase any shares of Capital Stock or any other rights or warrants;

(c) there shall occur a Transaction; or

(d) the Company shall take any other action that would require a vote of the Company's stockholders;

then the Company shall mail to the Warrantholder, as promptly as possible but in any event at least ten (10) days prior to the applicable date hereinafter specified, a notice stating (A) the date on which a record is to be taken for the purpose of such dividend, distribution or granting of rights or warrants or, if a record is not to be taken, the date as of which the holders of Common Stock

of record to be entitled to such dividend,

distribution or granting of rights or warrants are to be determined, or (B) the date on which such Transaction is expected to become effective and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their Common Stock for shares of stock or other securities or property or cash deliverable upon such Transaction. Notwithstanding the foregoing, in the case of any event to which Section 5.9 is applicable, the Company shall also deliver the certificate described in such Section 5.9 to the Warrantholder at least ten (10) Business Days prior to effecting such reorganization or reclassification as aforesaid.

6. Registration Rights. The Warrant Shares are subject to the terms

and conditions of the Amended and Restated Registration Rights Agreement, dated August , 2002, by and among the Company, the Warrantholder and The 1818 Fund
-- II, L.P., a Delaware limited partnership.

7. Loss or Destruction of Warrant. Subject to the terms and conditions hereof, upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant and, in the case of loss, theft or destruction, of such bond or indemnification as the Company may reasonably require, and, in the case of such mutilation, upon surrender and cancellation of this Warrant, the Company will execute and deliver a new Warrant of like tenor.

8. Ownership of Warrant. The Company may deem and treat the person in whose name this Warrant is registered as the holder and owner hereof (notwithstanding any notations of ownership or writing hereon made by anyone other than the Company) for all purposes and shall not be affected by any notice to the contrary, until presentation of this Warrant for registration of transfer.

9. Amendments. Any provision of this Warrant may be amended and the observance thereof waived only with the written consent of the Company and the Warrantholder.

10. No Impairment. The Company (i) will not permit the par value of any shares of stock receivable upon the exercise of this Warrant to exceed the amount payable therefor upon such exercise, (ii) will take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock on the exercise of the Warrant from time to time outstanding, and (iii) will not take any action which results in any adjustment of the Exercise Price if the total number of shares of Common Stock (or Other Securities) issuable after the action upon the exercise of the Warrant would exceed the total number of shares of Common Stock (or Other Securities) then authorized by the Company's Certificate of Incorporation and available for the purpose of issuance upon such exercise.

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

"Affiliate" shall mean any Person who is an "affiliate" as defined in Rule 12b-2 of the General Rules and Regulations under the Exchange Act.

"Board of Directors" means the Board of Directors of the Company.

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

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations, rights in, or other equivalents (however designated and whether voting or non-voting) of such Person's capital stock and any and all rights, warrants or options exchangeable for or convertible into such capital stock (but excluding any debt security whether or not it is exchangeable for or convertible into such capital stock).

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

"Common Stock" means the Common Stock, par value $.10 per share, of the Company.

"Common Stock Equivalent" means any security or obligation which is by its terms convertible into or exercisable into shares of Common Stock, including, without limitation, any option, warrant or other subscription or purchase right with respect to Common Stock.

"Company" has the meaning set forth in the first paragraph of this

Warrant.

"Conversion Right" has the meaning set forth in Section 2.2(a) of this Warrant.

"Credit Agreement" means the Amended and Restated Subordinated Credit Agreement, dated as of August -- , 2002, by and among the Company, the Warrantholder and the 1818 Fund II, L.P., a Delaware limited partnership.

"Current Market Price" means, as of the date of determination, (a) the average of the daily Market Price under clause (a), (b) or (c) of the definition thereof of the Common Stock during the immediately preceding thirty (30) trading days ending on such date, 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, then the Market Price under clause (d) of the definition thereof on such date.

"Excluded Transaction" means (a) any issuance of up to an aggregate of two million (2,000,000) shares of restricted stock or options to purchase shares of Common Stock (subject to adjustment in the event of stock splits, combinations or similar occurrences) to employees, officers or directors of the Company pursuant to a stock option plan or other employee benefit arrangement approved by the Board of Directors and (b) any issuance of Common Stock upon conversion or exercise of any Common Stock Equivalents and/or (c) any issuance of Warrant Shares.

"Exercise Form" means an Exercise Form in the form annexed hereto as Exhibit A.

"Exercise Period" means the period beginning on the Original Issue Date and ending on the fifth (5th) anniversary of the Original Issue Date.

"Exercise Price" has the meaning set forth in the first paragraph of this Warrant.

"First Sale of Production" has the meaning set forth in the Loan Agreement between VAALCO Gabon (Etame), Inc. and the International Finance Corporation dated April 19, 2002.

"Issue Date" has the meaning set forth in Section 5.2 of this Warrant.

"Market Price" means, as of the date of determination, (a) if the Common Stock is listed on a national securities exchange, the closing price per share of Common Stock on such date published in The Wall Street Journal (National Edition) or, if no such closing price on such date is published in The Wall Street Journal (National Edition), 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 National Association of Securities Dealers, Inc., 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 designated as a national market system security by the National Association or Securities Dealers, Inc., the average of the reported closing bid and asked prices of the Common Stock on such date as shown by the National Market System of the National Association of Securities Dealers, Inc. Automated Quotations System and reported by any member firm of the New York Stock Exchange selected by the Company; or (d) if none of (a), (b) or (c) is applicable, a market price per share determined mutually by the Board of Directors and the Majority Warrantholders or, if the Board of Directors and the Majority Warrantholders shall fail to agree, at the Company's expense by an appraiser chosen by the Board of Directors and reasonably acceptable to the Majority Warrantholders. Any determination of the Market Price by an appraiser shall be based on a valuation of the Company as an entirety without regard to any discount for minority interests or disparate voting rights among classes of capital stock.

"Majority Warrantholders" means the holders of a majority of Warrant Shares issuable upon exercise of all of the warrants issued pursuant to Section 1.02(b) of the Credit Agreement assuming the exercise of all such warrants.

"New Issuance" has the meaning set forth in Section 5.2 of this Warrant.

"New Issue Price" has the meaning set forth in Section 5.2 of this Warrant.

"Note" has the meaning set forth in the Credit Agreement.

"Obligations" means the obligations of the Company to the

Warrantholder for the prompt payment when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and performance of the Note and the Credit Agreement and any premium and all interest and other sums in respect thereof, whether now or hereafter owing or incurred.

"Original Issue Date" means June 10, 2002.

"Other Securities" means any stock (other than Common Stock) and other securities of the Company or any other Person (corporate or otherwise) which the holder of the Warrant at any time shall be entitled to receive, or shall have received upon the exercise of the Warrant, in lieu of or in addition to Common Stock.

"Person" means any individual, firm, corporation, partnership, limited liability company, trust, incorporated or unincorporated association, joint venture, joint stock company, governmental body or other entity of any kind.

"Relevant Date" has the meaning set forth in Section 5.2 of this Warrant.

"Sale Transaction" shall mean (a) (i) the merger or consolidation of the Company into or with one or more Persons, (ii) the merger or consolidation of one or more Persons into or with the Company or (iii) a tender offer or other business combination if, in the case of (i), (ii) or (iii), the stockholders of the Company prior to such merger or consolidation do not retain at least a majority of the voting power of the surviving Person or (b) the voluntary sale, conveyance, exchange or transfer to another Person of (i) the voting Capital Stock of the Company if, after such sale, conveyance, exchange or transfer, the stockholders of the Company prior to such sale, conveyance, exchange or transfer do not retain at least a majority of the voting power of the Company or (ii) all or substantially all of the assets of the Company.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations of the Commission thereunder.

"Stock Purchase Agreement" has the meaning set forth in Section 1 of this Warrant.

"Transaction" has the meaning set forth in Section 5.9 of this Warrant.

"Warrant Share Number" has the meaning set forth in Section 5.1 of this Warrant.

"Warrant Shares" has the meaning set forth in the first paragraph of this Warrant.

"Warrantholder" has the meaning set forth in the first paragraph of this Warrant.

12. Miscellaneous.

12.1 Entire Agreement. This Warrant, the Stock Purchase Agreement and the Credit Agreement constitutes the entire agreement between the Company and the Warrantholder with respect to the Warrant and supersedes all prior agreements and understanding with respects to the subject matter of this Warrant.

12.2 Binding Effect; Benefits. This Warrant shall inure to the benefit of and shall be binding upon the Company and the Warrantholder and their respective permitted successors and assigns. Nothing in this Warrant, expressed or implied, is intended to or shall confer on any person other than the Company and the Warrantholder, or their respective permitted successors or assigns, any rights, remedies, obligations or liabilities under or by reason of this Warrant.

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

12.4 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 Company:
VAALCO Energy, Inc.
4600 Post Oak Place, Suite 309
Houston, TX 77027-0130
Attention: Russell Scheirman

with a copy to:
Haynes and Boone, LLP
1000 Louisiana, Suite 4300

Houston, TX 77002
Telecopy: (713) 547-2600
Attention: Guy Young

(b) if to the Warrantholder:
Nissho Iwai Corporation
3-1, Daiba 2-chome,
Minato-ku, Tokyo 135-8655
JAPAN
Telecopy: 81-3-5520-2964
Attention: Shinichi Teranishi,
General Manager, Energy Project Department

All such notices, demands and other communications shall be deemed to have been duly given when delivered by hand, if personally delivered; when delivered by courier, if delivered by commercial courier service; five (5) Business Days after being deposited in the mail, postage prepaid, if mailed; and when receipt is mechanically acknowledged, if telecopied. Any party may by notice given in accordance with this Section 12.4 designate another address or Person for receipt of notices hereunder.

12.5 Severability. Any term or provision of this Warrant which is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the terms and provisions of this Warrant or affecting the validity or enforceability of any of the terms or provisions of this Warrant in any other jurisdiction.

12.6 GOVERNING LAW. THIS WARRANT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE WITHOUT REGARD TO THE CONFLICTS OF LAW PRINCIPLES THEREOF.

12.7 No Rights or Liabilities as Stockholders. Nothing contained in this Warrant shall be determined as conferring upon the Warrantholder any rights as a stockholder of the Company or as imposing any liabilities on the Warrantholder to purchase any securities whether such liabilities are asserted by the Company or by creditors or stockholders of the Company or otherwise.

12.8 Amendments and Waivers. Except as otherwise provided herein, the provisions of this Warrant may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given unless consented to in writing by the Company and the Warrantholder.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the Company has caused this Warrant to be signed by its duly authorized officer.

VAALCO ENERGY, INC.

By: _____
Name: W. Russell Scheirman
Title: President

Dated: August , 2002
--

Exhibit A

EXERCISE FORM

(To be executed upon exercise of this Warrant)

The undersigned hereby irrevocably elects to exercise the right, represented by this Warrant, to purchase [insert number] shares of Common Stock and [herewith tenders payment for such shares to the order of the Company in the amount of $[insert number] [hereby exercises its Conversion Right] in accordance with the terms of this Warrant. The undersigned requests that a certificate for such [Warrant Shares] [that number of Warrant Shares to which the undersigned is entitled as calculated pursuant to Section 2.2] be registered in the name of the undersigned and that such certificates be delivered to the undersigned's address below.

The undersigned represents that it is acquiring such shares for its own account for investment and not with a view to or for sale in connection with any distribution thereof (subject, however, to any requirement of law that the disposition thereof shall at all times be within its control).

Dated:

Signature

(Print Name)

(Street Address)

(City)   (State)   (Zip Code)

EXHIBIT 4.2

EXECUTION COPY

[Clawback Warrant]

THIS WARRANT AND ANY SECURITIES ACQUIRED UPON THE EXERCISE OF THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR FOREIGN JURISDICTION. NEITHER THIS WARRANT, SUCH SECURITIES NOR ANY INTEREST THEREIN MAY BE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT AND APPLICABLE STATE AND FOREIGN SECURITIES LAWS OR PURSUANT TO AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT AND SUCH LAWS.

VAALCO ENERGY, INC.
COMMON STOCK PURCHASE WARRANT

This certifies that, for good and valuable consideration, VAALCO Energy, Inc., a Delaware corporation (the "Company"), grants to Nissho Iwai Corporation, a corporation organized under the laws of Japan, (the "Warrantholder"), the right to subscribe for and purchase from the Company, during the Exercise Period (as hereinafter defined), two million two hundred fifty thousand (2,250,000) validly issued, fully paid and nonassessable shares, par value $.10, of Common Stock of the Company (the "Warrant Shares"), at the exercise price per share of $.50 (the "Exercise Price"), all subject to the terms, conditions and adjustments herein set forth. Capitalized terms used herein shall have the meanings ascribed to such terms in Section 11 below.

1. Warrant. This Warrant is issued pursuant to, and in accordance with the Stock Purchase Agreement, dated August -- , 2002 between the Company, the Warrantholder and Vaalco International, Inc., a Delaware corporation, (the "Stock Purchase Agreement") and is subject to the terms thereof and hereof.

2. Exercise of Warrant; Payment of Taxes.

2.1 Exercise of Warrant.

(a) Subject to Section 2.1(b), and the other terms and conditions set forth herein, this Warrant may be exercised at any time, in whole or in part, by the Warrantholder during the Exercise Period by:

(i) the surrender of this Warrant to the Company, with a duly executed Exercise Form, and

(ii) subject to Section 2.2 below, the delivery of payment to the Company, for the account of the Company, by cash, wire transfer,

certified or official bank check or any other means approved by the Company, of the aggregate Exercise Price in lawful money of the United States of America.

The Company agrees that the Warrant Shares shall be deemed to be issued to the Warrantholder as the record holder of such Warrant Shares as of the close of business on the date on which this Warrant shall have been surrendered and payment made of the Exercise Price as aforesaid.

(b) This Warrant shall automatically terminate and no longer be exercisable in its entirety upon the satisfaction in full of the Obligations of the Company to the Warrantholder; provided, that such Obligations are satisfied in full on or before eighteen (18) months from the Original Issue Date.

2.2 Conversion Right.

(a) In lieu of the payment of the aggregate Exercise Price, the Warrantholder shall have the right (but not the obligation), to require the Company to convert this Warrant, in whole or in part, into shares of Common Stock (the "Conversion Right") as provided for in this Section 2.2. Upon exercise of the Conversion Right, the Company shall deliver to the Warrantholder (without payment by the Warrantholder of any of the Exercise Price) in accordance with Section 2.2(b) that number of shares of Common Stock equal to the quotient obtained by dividing (i) the value of the Warrant or portion thereof at the time the Conversion Right is exercised (determined by subtracting the aggregate Exercise Price at the time of the exercise of the Conversion Right for the number of shares of Common Stock for which the Warrant is being exercised from the aggregate Current Market Price for the shares of Common Stock issuable upon exercise of the Warrant at the time of the exercise of the Conversion Right for the number of shares of Common Stock for which the Warrant

is being exercised) by (ii) the Current Market Price of one share of Common Stock at the time of the exercise of the Conversion Right.

(b) The Conversion Right may be exercised by the Warrantholder on any Business Day prior to the end of the Exercise Period by surrender of this Warrant to the Company, with a duly executed Exercise Form with the conversion section completed, exercising the Conversion Right and specifying the total number of shares of Common Stock that the Warrantholder will be issued pursuant to such conversion.

2.3 Warrant Shares Certificate. A stock certificate or certificates for the Warrant Shares specified in the Exercise Form shall be delivered to the Warrantholder within five (5) Business Days after receipt of the Exercise Form by the Company and, if the Conversion Right is not exercised, the payment by the Warrantholder of the aggregate Exercise Price. If this Warrant shall have been exercised only in part, the Company shall, at the time of delivery of the stock certificate or certificates, deliver to the Warrantholder a new Warrant evidencing the right to purchase the remaining Warrant Shares, which new Warrant shall in all other respects be identical with this Warrant.

2.4 Payment of Taxes. The Company will pay all documentary stamp or other issuance taxes, if any, attributable to the issuance of Warrant Shares upon the exercise of this Warrant; provided, however, that the Company shall not be required to pay any tax or taxes which may be payable in respect of any transfer involved in the issue or delivery of any Warrants or Warrant certificates or Warrant Shares in a name other than that of the then Warrantholder as reflected upon the books of the Company.

3. Restrictions on Transfer; Restrictive Legends.

3.1 Transfer. At no time may this Warrant or the Warrant Shares be offered, sold, transferred, pledged or otherwise disposed of, in whole or in part, except in accordance with applicable federal and state securities laws.

3.2 Legends.

(a) Except as otherwise permitted by this Section 3, each Warrant (including each Warrant issued upon the transfer of any Warrant) shall be stamped or otherwise imprinted with a legend in substantially the following form:

"This Warrant and any shares acquired upon the exercise of this Warrant have not been registered under the Securities Act of 1933, as amended (the "Act"), or the securities laws of any state of the United States or foreign jurisdiction. Neither this Warrant, such securities nor any interest therein may be transferred except pursuant to an effective registration statement under such Act and applicable state and foreign securities laws or pursuant to an applicable exemption from the registration requirements of such Act and such laws."

(b) Except as otherwise permitted by this Section 3, each certificate for Common Stock (or Other Securities) issued upon the exercise of any Warrant, and each certificate issued upon the transfer of any such Common Stock (or Other Securities), shall be stamped or otherwise imprinted with a legend in substantially the following form:

"The shares represented by this certificate have not been registered under the Securities Act of 1933 and may not be transferred in the absence of such registration or an exemption therefrom under such Act."

4. Reservation and Registration of Shares. The Company covenants and agrees as follows:

(a) All Warrant Shares that are issued upon the exercise of this Warrant shall, upon issuance, be validly issued, not subject to any preemptive rights, and, be free from all taxes, liens, security interests, charges, and other encumbrances with respect to the issuance thereof, other than taxes in respect of any transfer occurring contemporaneously with such issue.

(b) The Company shall at all times have authorized and reserved, and shall keep available and free from preemptive rights, a sufficient number of shares of Common Stock to provide for the exercise of the rights represented by this Warrant.

(c) The Company shall not, by amendment of its Certificate of Incorporation or through any reorganization, transfer of assets, spin-off, consolidation, merger, dissolution, issue or sale of securities or any other action or inaction, seek to avoid the observance or performance of any of the terms of this Warrant, and shall at all times in good faith assist in performing and giving effect to the terms hereof and in the taking of all such actions as

may be necessary or appropriate in order to protect the rights of the Warrantholder against dilution or other impairment.

5. Anti-dilution and Other Adjustments. The Exercise Price and the number of Warrant Shares to be received upon exercise of this Warrant shall be subject to adjustment as follows:

5.1 Dividend, Subdivision, Combination or Reclassification of Common Stock. In the event that the Company shall at any time or from time to time, after the issuance of this Warrant but prior to the exercise hereof, (w) make a dividend or distribution on the outstanding shares of Common Stock payable in Capital Stock, (x) subdivide the outstanding shares of Common Stock into a larger number of shares, (y) combine the outstanding shares of Common Stock into a smaller number of shares or (z) issue any shares of its Capital Stock in a reclassification of the Common Stock (other than any such event for which an adjustment is made pursuant to another clause of this Section 5), then, and in each such case, (A) the aggregate number of Warrant Shares for which this Warrant is exercisable (the "Warrant Share Number") immediately prior to such event shall be adjusted (and any other appropriate actions shall be taken by the Company) so that the Warrantholder shall be entitled to receive upon exercise of this Warrant the number of shares of Common Stock or other securities of the Company that it would have owned or would have been entitled to receive upon or by reason of any of the events described above, had this Warrant been exercised immediately prior to the occurrence of such event and (B) the Exercise Price payable upon the exercise of this Warrant shall be adjusted by multiplying such Exercise Price immediately prior to such adjustment by a fraction, the numerator of which shall be the number of Warrant Shares issuable upon the exercise of this Warrant immediately prior to such adjustment, and the denominator of which shall be the number of Warrant Shares issuable immediately thereafter. An adjustment made pursuant to this Section 5.1 shall become effective retroactively (x) 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 shares of Common Stock entitled to receive such dividend or distribution or (y) 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.

5.2 Issuance of Common Stock or Common Stock Equivalents Below Exercise Price.

(a) If the Company shall at any time or from time to time, after the issuance of this Warrant but prior to the exercise hereof, issue or sell (such issuance or sale, a "New Issuance") any shares of Common Stock or Common Stock Equivalents at a price per share of Common Stock (the "New Issue Price") that is less than the Exercise Price then in effect as of the record date or Issue Date (as defined below), as the case may be (the "Relevant Date') (treating the price per share of Common Stock, in the case of the issuance of any Common Stock Equivalent, as equal to (x) the sum of the price for such Common Stock Equivalent plus any additional consideration payable (without regard to any anti-dilution adjustments) upon the conversion, exchange or exercise of such Common Stock Equivalent divided by (y) the number of shares of Common Stock initially underlying such Common Stock Equivalent), other than (i) issuances or sales for which an adjustment is made pursuant to another subsection of this Section 5 and (ii) issuances in connection with an Excluded Transaction, then, and in each such case, (A) the Exercise Price then in effect shall be adjusted to equal the New Issue Price and (B) the Warrant Share Number immediately prior to such adjustment shall be increased to equal the product of (i) the aggregate number of Warrant Shares for which this Warrant is exercisable immediately prior to the New Issuance multiplied by (ii) a fraction, the numerator of which shall be the Exercise Price in effect on the day immediately prior to the Relevant Date and the denominator of which shall be the Exercise Price in effect immediately after such adjustment.

Such adjustment shall be made whenever such shares of Common Stock or Common Stock Equivalents are issued, and shall become effective retroactively (x) in the case of an issuance to the stockholders of the Company, as such, to a date immediately following the close of business on the record date for the determination of shareholders entitled to receive such shares of Common Stock or Common Stock Equivalents and (y) in all other cases, on the date (the "Issue Date") of such issuance; provided, however, that the determination as to whether an adjustment is required to be made pursuant to this Section 5.2 shall be made only upon the issuance of such shares of Common Stock or Common Stock Equivalents, and not upon the issuance of any security into which the Common Stock Equivalents convert, exchange or may be exercised.

(b) In case at any time any shares of Common Stock or Common Stock Equivalents or any rights or options to purchase any shares of Common Stock or Common Stock Equivalents shall be issued or sold for consideration other than cash, the consideration received therefor shall be deemed to be the amount received by the Company therefor, without deduction therefrom of any expenses incurred or any underwriting commissions or concessions or discounts paid or allowed by the Company in connection therewith, as determined mutually by the Board of Directors and the Majority Warrantholders or, if the Board of

Directors and the Majority Warrantholders shall fail to agree, at the Company's expense by an appraiser chosen by the Board of Directors and reasonably acceptable to the Majority Warrantholders.

5.3 Certain Distributions. In case the Company shall at any time or from time to time, after the issuance of this Warrant but prior to the exercise hereof, distribute to all holders of shares of Common Stock (including any such

distribution made in connection with a merger or consolidation in which the Company is the resulting or surviving Person and shares of Common Stock are not changed or exchanged) cash, evidences of indebtedness of the Company or another issuer, securities of the Company or another issuer or other assets (excluding dividends or distributions payable in shares of Common Stock for which adjustment is made under Section 5.1 and any distribution in connection with an Excluded Transaction) or rights or warrants to subscribe for or purchase any of the foregoing, then, and in each such case, (A) the Exercise Price then in effect shall be adjusted (and any other appropriate actions shall be taken by the Company) by being multiplied by the Exercise Price in effect prior to the date of distribution by a fraction (i) the numerator of which shall be such Current Market Price of Common Stock immediately prior to the date of distribution less the then fair market value (as determined by the Board of Directors in the exercise of their fiduciary duties) of the portion of the cash, evidences of indebtedness, securities or other assets so distributed or of such rights or warrants applicable to one share of Common Stock and (ii) the denominator of which shall be the Current Market Price of the Common Stock immediately prior to the date of distribution (but such fraction shall not be greater than one) and (B) the Warrant Share Number shall be increased by being multiplied by a fraction (i) the numerator of which shall be the Current Market Price of one share of Common Stock immediately prior to the record date for the distribution of such cash, evidences of indebtedness, securities, other assets or rights or warrants and (ii) the denominator of which shall be the Current Market Price of one share of Common Stock immediately prior to such record date less the fair market value (as determined by the Board of Directors in the exercise of their fiduciary duties) of the portion of such cash, evidences of indebtedness, securities, other assets or rights or warrants so distributed. Such adjustment shall be made whenever any such distribution is made and shall become effective retroactively to a date immediately following the close of business on the record date for the determination of stockholders entitled to receive such distribution.

5.4 Credit Agreement Adjustments.

(a) In the event that the Obligations of the Company to the Warrantholder have not been satisfied in full on or before the earlier of (i) nine (9) months from the First Sale of Production and (ii) eighteen (18) months from the Original Issue Date, then on the last day of such ninth (9th) month or eighteenth (18th) month, as the case may be, and on the last day of each succeeding month until the Obligations of the Company to the Warrantholder have been satisfied in full, the Exercise Price in effect on each such date shall be reduced (and any other appropriate actions shall be taken by the Company) by subtracting from the Exercise Price in effect immediately prior to such adjustment an amount equal to the Exercise Price in effect immediately prior to such adjustment multiplied by a fraction (i) the numerator of which shall be ten percent (10%) of the average principal balance outstanding under the Note during such month and (ii) the denominator of which shall be ten million dollars ($10,000,000). In the event that the Exercise Price is required to be adjusted pursuant to this Section 5.4(a) and at the same time an adjustment is required to be made pursuant to Section 5.4(b), then the adjustment required to be made under this Section 5.4(a) shall be made after giving effect to the adjustment required under Section 5.4(b).

(b) If, on the date that is eighteen (18) months from the Original Issue Date, (i) the Obligations of the Company to the Warrantholder have not been satisfied in full and the Market Price on such date (or if such date is not a Business Day, on the immediately preceding Business Day) is less than the Exercise Price then in effect (determined without regard to any adjustments made pursuant to Section 5.4(a)), then on such date, the Exercise Price then in effect shall be reduced (and any other appropriate actions shall be taken by the Company) to an amount that is equal to eighty percent (80%) of the Current Market Price; provided, however, that in no event, shall any adjustment be made pursuant to this Section 5.4(b) if such adjustment would result in an increase to the Exercise Price in effect immediately prior to such adjustment. In the event that the Exercise Price is required to be adjusted pursuant to this Section 5.4(b) and at the same time an adjustment is required to be made pursuant to Section 5.4(a), then the adjustment required to be made under this Section 5.4(b) shall be made before giving effect to the adjustment required under Section 5.4(a).

(c) On the first day of the Exercise Period, the number of Warrant Shares shall be adjusted to a number equal to the product of the number

of Warrant Shares for which this Warrant is exercisable immediately prior to the commencement of the Exercise Period multiplied by a fraction, the numerator of which shall be the average daily principal balance outstanding under the Note during the period beginning following the end of eighteen (18) months from the date hereof and ending immediately prior to the commencement of the Exercise Period, and the denominator of which shall be ten million (10,000,000).

5.5 Other Changes. In case the Company at any time or from time to time, after the issuance of this Warrant but prior to the exercise hereof, shall take any action affecting its Common Stock similar to or having an effect similar to any of the actions described in any of Sections 5.1 or 5.4 (but not including any action described in any such Section) and the Board of Directors in good faith determines that it would be equitable in the circumstances to adjust the Exercise Price and Warrant Share Number as a result of such action, then, and in each such case, the Exercise Price and Warrant Share Number shall be adjusted in such manner and at such time as the Board of Directors 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 Warrantholder).

5.6 No Adjustment; Par Value Minimum. Notwithstanding anything herein to the contrary, no adjustment under this Section 5 need be made to the Exercise Price or Warrant Share Number if the company receives written notice from the Warrantholder that no such adjustment is required. Notwithstanding any other provision of this Warrant, the Exercise Price shall not be adjusted below the par value of a share of Common Stock.; provided, however, that the written consent of the Majority Warrantholders shall be required prior to any increase in the par value of the shares of Common Stock.

5.7 Abandonment. If the Company shall take a record of the holders of shares 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 no adjustment in the Exercise Price or Warrant Share Number shall be required by reason of the taking of such record.

5.8 Certificate as to Adjustments. Upon any adjustment in the Exercise Price or Warrant Share Number, the Company shall within a reasonable period (not to exceed ten (10) days) following any of the foregoing transactions deliver to the Warrantholder a certificate, signed by (i) the Chief Executive Officer of the Company and (ii) the Chief Financial Officer of the Company, setting forth in reasonable detail the event requiring the adjustment and the method by which such adjustment was calculated and specifying the adjusted Exercise Price and Warrant Share Number then in effect following such adjustment.

5.9 Reorganization, Reclassification, Merger or Sale Transaction. In case of any capital reorganization, reclassification, Sale Transaction, merger or consolidation (other than a Sale Transaction or a merger or consolidation of the Company in which the Company is the surviving corporation) of the Company 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) (each, a "Transaction") at any time after the issuance of this Warrant but prior to the exercise hereof, the Company shall execute and deliver to the Warrantholder at least twenty (20) Business Days prior to effecting such Transaction a certificate stating that the Warrantholder shall have the right thereafter to exercise this Warrant for the kind and amount of shares of stock or other securities, property or cash receivable upon such Transaction by a holder of the number of shares of Common Stock into which this Warrant could have been exercised immediately prior to such Transaction, and provision shall be made therefor in the agreement, if any, relating 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 5 and shall contain other terms substantially identical to the terms hereof. 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 Persons and other than the Company, 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 assume the obligations of such successor or purchasing Person and acknowledge its obligations to issue such stock, securities, other property or cash to holders of the Warrants upon exercise thereof as provided above. The provisions of this Section 5.9 and any equivalent thereof in any such certificate similarly shall apply to successive transactions.

5.10 Notices. In case at any time or from time to time:

(a) the Company shall declare a divided (or any other

distribution) on its shares of Common Stock;

(b) the Company shall authorize the granting to the holders of shares of its Common Stock rights or warrants to subscribe for or purchase any shares of Capital Stock or any other rights or warrants;

(c) there shall occur a Transaction; or

(d) the Company shall take any other action that would require a vote of the Company's stockholders;

then the Company shall mail to the Warrantholder, as promptly as possible but in any event at least ten (10) days prior to the applicable date hereinafter specified, a notice stating (A) the date on which a record is to be taken for the purpose of such dividend, distribution or granting of rights or warrants or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution or granting of rights or warrants are to be determined, or (B) the date on which such Transaction is expected to become effective and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their Common Stock for shares of stock or other securities or property or cash deliverable upon such Transaction. Notwithstanding the foregoing, in the case of any event to which Section 5.9 is applicable, the Company shall also deliver the certificate described in such Section 5.9 to the Warrantholder at least ten (10) Business Days prior to effecting such reorganization or reclassification as aforesaid.

6. Registration Rights. The Warrant Shares are subject to the terms and conditions of the Amended and Restated Registration Rights Agreement, dated August ---, 2002, between the Company, the Warrantholder and The 1818 Fund II, L.P., a Delaware limited partnership.

7. Loss or Destruction of Warrant. Subject to the terms and conditions hereof, upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant and, in the case of loss, theft or destruction, of such bond or indemnification as the Company may reasonably require, and, in the case of such mutilation, upon surrender and cancellation of this Warrant, the Company will execute and deliver a new Warrant of like tenor.

8. Ownership of Warrant. The Company may deem and treat the person in whose name this Warrant is registered as the holder and owner hereof (notwithstanding any notations of ownership or writing hereon made by anyone other than the Company) for all purposes and shall not be affected by any notice to the contrary, until presentation of this Warrant for registration of transfer.

9. Amendments. Any provision of this Warrant may be amended and the observance thereof waived only with the written consent of the Company and the Warrantholder.

10. No Impairment. The Company (i) will not permit the par value of any shares of stock receivable upon the exercise of this Warrant to exceed the amount

payable therefor upon such exercise, (ii) will take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock on the exercise of the Warrant from time to time outstanding, and (iii) will not take any action which results in any adjustment of the Exercise Price if the total number of shares of Common Stock (or Other Securities) issuable after the action upon the exercise of the Warrant would exceed the total number of shares of Common Stock (or Other Securities) then authorized by the Company's Certificate of Incorporation and available for the purpose of issuance upon such exercise.

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

"Affiliate" shall mean any Person who is an "affiliate" as defined in Rule 12b-2 of the General Rules and Regulations under the Exchange Act.

"Board of Directors" means the Board of Directors of the Company.

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

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations, rights in, or other equivalents (however designated and whether voting or non-voting) of such Person's capital stock and any and all

rights, warrants or options exchangeable for or convertible into such capital stock (but excluding any debt security whether or not it is exchangeable for or convertible into such capital stock).

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

"Common Stock" means the Common Stock, par value $.10 per share, of the Company.

"Common Stock Equivalent" means any security or obligation which is by its terms convertible into or exercisable into shares of Common Stock, including, without limitation, any option, warrant or other subscription or purchase right with respect to Common Stock. "Company" has the meaning set forth in the first paragraph of this Warrant.

"Conversion Right" has the meaning set forth in Section 2.2(a) of this Warrant.

"Credit Agreement" means the Amended and Restated Subordinated Credit Agreement, dated as of August ---, 2002, by and among the Company, the Warrantholder and the 1818 Fund II, L.P., a Delaware limited partnership.

"Current Market Price" means, as of the date of determination, (a) the average of the daily Market Price under clause (a), (b) or (c) of the definition thereof of the Common Stock during the immediately preceding thirty (30) trading days ending on such date, 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, then the Market Price under clause (d) of the definition thereof on such date.

"Excluded Transaction" means (a) any issuance of up to an aggregate of two million (2,000,000) shares of restricted stock or options to purchase shares of Common Stock (subject to adjustment in the event of stock splits, combinations or similar occurrences) to employees, officers or directors of the Company pursuant to a stock option plan or other employee benefit arrangement approved by the Board of Directors and (b) any issuance of Common Stock upon conversion or exercise of any Common Stock Equivalents and/or (c) any issuance of Warrant Shares.

"Exercise Form" means an Exercise Form in the form annexed hereto as Exhibit A.

"Exercise Period" means, subject to Sections 2.1(b), the period beginning on the date that is twenty-four months from the Original Issue Date and ending on the fifth (5th) anniversary of the Original Issue Date.

"Exercise Price" has the meaning set forth in the first paragraph of this Warrant.

"First Sale of Production" has the meaning set forth in the Loan Agreement between VAALCO Gabon (Etame), Inc. and the International Finance Corporation dated April 19, 2002.

"Issue Date" has the meaning set forth in Section 5.2 of this Warrant.

"Market Price" means, as of the date of determination, (a) if the Common Stock is listed on a national securities exchange, the closing price per share of Common Stock on such date published in The Wall Street Journal (National Edition) or, if no such closing price on such date is published in The Wall Street Journal (National Edition), 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 National Association of Securities Dealers, Inc., 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 designated as a national market system security by the National Association or Securities Dealers, Inc., the average of the reported closing bid and asked prices of the Common Stock on such date as shown by the National Market System of the National Association of Securities Dealers, Inc. Automated Quotations System and reported by any member firm of the New York Stock Exchange selected by the Company; or (d) if none of (a), (b) or (c) is applicable, a market price per share

determined mutually by the Board of Directors and the Majority Warrantholders or, if the Board of Directors and the Majority Warrantholders shall fail to agree, at the Company's expense by an appraiser chosen by the Board of Directors and reasonably acceptable to the Majority Warrantholders. Any determination of the Market Price by an appraiser shall be based on a valuation of the Company as

an entirety without regard to any discount for minority interests or disparate voting rights among classes of capital stock.

"Majority Warrantholders" means the holders of a majority of Warrant Shares issuable upon exercise of all of the warrants issued pursuant to Section 1.02(b) of the Credit Agreement assuming the exercise of all such warrants.

"New Issuance" has the meaning set forth in Section 5.2 of this Warrant.

"New Issue Price" has the meaning set forth in Section 5.2 of this Warrant.

"Note" has the meaning set forth in the Credit Agreement.

"Obligations" means the obligations of the Company to the Warrantholder for the prompt payment when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and performance of the Note and the Credit Agreement and any premium and all interest and other sums in respect thereof, whether now or hereafter owing or incurred.

"Original Issue Date" means June 10, 2002.

"Other Securities" means any stock (other than Common Stock) and other securities of the Company or any other Person (corporate or otherwise) which the holder of the Warrant at any time shall be entitled to receive, or shall have received upon the exercise of the Warrant, in lieu of or in addition to Common Stock.

"Person" means any individual, firm, corporation, partnership, limited liability company, trust, incorporated or unincorporated association, joint venture, joint stock company, governmental body or other entity of any kind.

"Relevant Date" has the meaning set forth in Section 5.2 of this Warrant.

"Sale Transaction" shall mean (a) (i) the merger or consolidation of the Company into or with one or more Persons, (ii) the merger or consolidation of one or more Persons into or with the Company or (iii) a tender offer or other business combination if, in the case of (i), (ii) or (iii), the stockholders of the Company prior to such merger or consolidation do not retain at least a majority of the voting power of the surviving Person or (b) the voluntary sale, conveyance, exchange or transfer to another Person of (i) the voting Capital Stock of the Company if, after such sale, conveyance, exchange or transfer, the stockholders of the Company prior to such sale, conveyance, exchange or transfer do not retain at least a majority of the voting power of the Company or (ii) all or substantially all of the assets of the Company.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations of the Commission thereunder.

"Stock Purchase Agreement" has the meaning set forth in Section 1 of this Warrant.

"Transaction" has the meaning set forth in Section 5.9 of this Warrant.

"Warrant Share Number" has the meaning set forth in Section 5.1 of this Warrant.

"Warrant Shares" has the meaning set forth in the first paragraph of this Warrant.

"Warrantholder" has the meaning set forth in the first paragraph of this Warrant.

12. Miscellaneous.

12.1 Entire Agreement. This Warrant and the Credit Agreement constitutes the entire agreement between the Company and the Warrantholder with respect to the Warrant and supersedes all prior agreements and understanding with respects to the subject matter of this Warrant.

12.2 Binding Effect; Benefits. This Warrant shall inure to the benefit of and shall be binding upon the Company and the Warrantholder and their respective permitted successors and assigns. Nothing in this Warrant, expressed or implied, is intended to or shall confer on any person other than the Company and the Warrantholder, or their respective permitted successors or assigns, any rights, remedies, obligations or liabilities under or by reason of this Warrant.

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

12.4 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 Company:

VAALCO Energy, Inc.
4600 Post Oak Place, Suite 309
Houston, TX 77027-0130
Attention: Russell Scheirman

with a copy to:

Haynes and Boone, LLP
1000 Louisiana, Suite 4300
Houston, TX 77002
Telecopy: (713) 547-2600
Attention: Guy Young

(b) if to the Warrantholder:

Nissho Iwai Corporation
3-1, Daiba 2-chome,
Minato-ku, Tokyo 135-8655
JAPAN
Telecopy: 81-3-5520-2964
Attention: Shinichi Teranishi,
General Manager, Energy Project Department

All such notices, demands and other communications shall be deemed to have been duly given when delivered by hand, if personally delivered; when delivered by courier, if delivered by commercial courier service; five (5) Business Days after being deposited in the mail, postage prepaid, if mailed; and when receipt is mechanically acknowledged, if telecopied. Any party may by notice given in accordance with this Section 12.4 designate another address or Person for receipt of notices hereunder.

12.5 Severability. Any term or provision of this Warrant which is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the terms and provisions of this Warrant or affecting the validity or enforceability of any of the terms or provisions of this Warrant in any other jurisdiction.

12.6 GOVERNING LAW. THIS WARRANT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE WITHOUT REGARD TO THE CONFLICTS OF LAW PRINCIPLES THEREOF.

12.7 No Rights or Liabilities as Stockholders. Nothing contained in this Warrant shall be determined as conferring upon the Warrantholder any rights as a stockholder of the Company or as imposing any liabilities on the Warrantholder to purchase any securities whether such liabilities are asserted by the Company or by creditors or stockholders of the Company or otherwise.

12.8 Amendments and Waivers. Except as otherwise provided herein, the provisions of this Warrant may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given unless consented to in writing by the Company and the Warrantholder.

IN WITNESS WHEREOF, the Company has caused this Warrant to be signed by its duly authorized officer.

VAALCO ENERGY, INC.

By: _____
Name: W. Russell Scheirman
Title: President

Dated: August ___, 2002

Exhibit A

EXERCISE FORM

(To be executed upon exercise of this Warrant)

The undersigned hereby irrevocably elects to exercise the right, represented by this Warrant, to purchase [insert number] shares of Common Stock and [herewith tenders payment for such shares to the order of the Company in the amount of $[insert number] [hereby exercises its Conversion Right] in accordance with the terms of this Warrant. The undersigned requests that a certificate for such [Warrant Shares] [that number of Warrant Shares to which the undersigned is entitled as calculated pursuant to Section 2.2] be registered in the name of the undersigned and that such certificates be delivered to the undersigned's address below.

The undersigned represents that it is acquiring such shares for its own account for investment and not with a view to or for sale in connection with any distribution thereof (subject, however, to any requirement of law that the disposition thereof shall at all times be within its control).

Dated: _____

Signature

_____

_____
(Print Name)

_____
(Street Address)

_____
(City) (State) (Zip Code)

EXHIBIT 10.1

Execution Copy

STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (the "Agreement") is made to be effective as of the 23rd day of August, 2002 (the "Effective Date"), by and between VAALCO International, Inc., a Delaware corporation (the "Company"), VAALCO Energy, Inc., a Delaware corporation ("VEI") and Nissho Iwai Corporation, a Japanese corporation (the "Purchaser").

Preliminary Statements

WHEREAS, The Company and VEI entered into the Subscription Agreement dated as of August 23, 2002 (the "Subscription Agreement") pursuant to which the Company issued and sold 10,000 shares of the Company's common stock, par value $0.001 per share (the "Common Stock"), to VEI; and

WHEREAS, VEI desires to sell to the Purchaser, and the Purchaser desires to purchase and accept 999 shares of the Common Stock from VEI and the Warrants (defined below) all in accordance with the terms and subject to the conditions set forth in this Agreement.

Agreement

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein and for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the Company, VEI and the Purchaser hereby agree as follows:

1. Purchase and Sale.

(a) Common Stock.

(i) Subject to the terms and conditions of this Agreement, at the Closing VEI will sell to the Purchaser, and the Purchaser will purchase from VEI Nine Hundred Ninety-Nine (999) shares of its Common Stock representing 9.99% of the shares of the issued and outstanding Common Stock as of the date hereof (the "Purchased Shares") for aggregate consideration of Three Million Two Ninety One Thousand Three Hundred and Fifteen United States Dollars (US $3,291,315) (the "Aggregate Consideration") which amount shall consist of the Purchase Price and the Additional Consideration. For the purposes of this Agreement, the "Purchase Price" shall be $3,000,000 and the "Additional Consideration" shall be $291,315, which is an amount equaling 9.99% of the cash calls since April 1, 2002 for VAALCO Gabon (Etame) Inc., a Delaware corporation and wholly-owned subsidiary of the Company ("VGEI").

(ii) Subject to the terms and conditions of this Agreement, at the Closing VEI shall sell and issue to NIC warrants to purchase shares of VEI's common stock (the "Warrants") in the forms attached hereto as Exhibits B-1 and B-2.

(iii) Subject to the terms and conditions of this Agreement, at the Closing, VEI agrees to satisfy its payment obligations under Section 1 of the Subscription Agreement.

(b) Closing. The purchase and sale of Purchased Shares and Warrants to the Purchaser shall take place at the offices of the Company, located at 4600 Post Oak Place, Suite 309, Houston, Texas 77027, contemporaneously with the execution of this Agreement (which time and place are designated as the "Closing"). At the Closing, the Company shall deliver to the Purchaser stock certificate(s) No. 2 representing the Purchased Shares and the Warrants in exchange for the Aggregate Consideration by wire transfer of immediately available funds as directed by the Company in writing to Purchaser at least 2 business days prior to the Closing.

2. Representations and Warranties of the Company and VEI. The Company and VEI hereby represent and warrant to the Purchaser that as of the date hereof, except as set forth on the Schedule of Exceptions (the "Schedule of Exceptions") furnished to the Purchaser and attached hereto as Exhibit A specifically identifying the relevant subparagraphs hereof, which exceptions shall be deemed to be representations and warranties as if made hereunder:

(a) Organization and Good Standing. Each of the Company and VEI is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to carry on its business as now conducted. Each of the Company and VEI is duly qualified to transact business and is in good standing in each jurisdiction in which the failure to so qualify would have a material adverse effect on its business or properties.

(b) Capitalization and Voting Rights. The authorized capital stock of the

Company consists, or will consist immediately prior to the Closing, of Ten Thousand (10,000) shares of Common Stock, all of which are issued and outstanding and owned by VEI prior to the Closing.

(c) Authorization. All corporate action on the part of the Company and VEI, its officers, directors and stockholders necessary for the authorization, execution and delivery of this Agreement and all other agreements and instruments contemplated hereunder, the performance of all obligations of each of the Company and VEI hereunder and thereunder, and the authorization, issuance, sale and delivery of the Purchased Shares and the Warrants has been taken or will be taken prior to the Closing, and this Agreement and all other agreements and instruments contemplated hereunder constitute valid and legally binding obligations of each of the Company and VEI, enforceable in accordance with their respective terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws of general application affecting enforcement of creditors' rights generally, and (ii) as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

(d) Valid Issuance of Purchased Shares and the Warrants. The Purchased Shares and the Warrants that are being purchased hereunder, when issued, sold and delivered in accordance with the terms of this Agreement for the consideration expressed herein, will be duly and validly issued, fully paid, and nonassessable, and will be free and clear of encumbrances other than any encumbrances in favor of 1818 Fund II, L.P. ("1818 Fund") or International

Finance Corporation ("IFC") or created under this Agreement, other agreements and instruments contemplated hereunder as listed in the Schedule of Exceptions, and applicable securities laws.

(e) Governmental Consents. No consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any federal, state or local governmental authority of any country on the part of the Company is required in connection with the consummation of the transactions contemplated by this Agreement.

(f) Lender Consents. No consent, approval, or filing with, any lender is required in connection with the consummation of the transactions by VEI or the Company contemplated by this Agreement other than 1818 Fund and IFC.

(g) Offering. Subject in part to the truth and accuracy of the Purchaser's representations set forth in Section 3 of this Agreement, the offer, sale and issuance of the Warrants and the Common Stock as contemplated by this Agreement are exempt from the registration requirements of the Securities Act of 1933, as amended (the "Act").

(h) Capital Contribution. VEI agrees that it will contribute at Closing 100% of its right title and interest in and to the shares of VGEI to the Company (the "Capital Contribution"). Following the Capital Contribution the Company will own 100% of the capital stock of VGEI, free of restrictions on transfer, other than such restrictions on transfers under this Agreement, other agreements and instruments contemplated hereunder as listed in the Schedule of Exceptions, and applicable securities laws.

(i) Gabon Production Sharing Contract. VGEI is the owner of an undivided 30.35% of the interest in that certain Exploration and Production Sharing Contract with the Republic of Gabon dated July 7, 1995 (the "Contract") and such interest is owned free and clear of any lien or encumbrance except as set forth in the Schedule of Exceptions.

(j) Financial Condition. The financial statements for the year ended December 31, 2001 as set forth in the Independent Auditor's Report of VGEI dated April 26, 2002 ("Financial Statement") and the related unaudited interim financial statements, including Statement of Operations, Statement of Cash Flow, Statement of Stock Holders' Equity and Balance Sheet dated as of May 31, 2002 ("Interim Financial Statement") fairly present in all material respects the financial condition and the results of operations, changes in equity and cash flows of VGEI as of the respective dates and for the period referred to in such Financial Statements, all in accordance with GAAP (provided that the Interim Financial Statement will not include auditor's notes). These Financial Statements reflect the consistent application of such accounting principles throughout the periods involved and have been or will be prepared from and are in accordance with the accounting records of VGEI.

(k) Absence of Material Changes and Undisclosed Liabilities. Neither the Company nor VEI are aware of any material adverse changes in the assets of VGEI, the operations in the Gabon Contract Area or in the relationship between the parties to the Production Sharing Contract and the Government of the Republic of Gabon. Neither the

Company nor VGEI have any known liabilities except for: liabilities reflected or reserved against in the Interim Financial Statement or Financial Statement, liabilities that are listed in the Schedule of Exceptions, current liabilities incurred in the ordinary course of business of VGEI since the date of the Interim Balance Sheet, and liabilities that would not have a material adverse effect on the business, operations or assets of VGEI.

(l) Books and Records. The books of account and other financial records of the Company and of VGEI, all of which have been made available to NIC, are complete and correct in all material respects and represent actual, bona fide transactions and have been maintained in accordance with customary business practices, including the maintenance of adequate system of internal controls.

3. Representations and Warranties of the Purchaser. The Purchaser hereby represents and warrants that:

(a) Authorization. The Purchaser has full power and authority to enter into this Agreement and the other agreements and instruments contemplated hereunder, and each such Agreement constitutes its valid and legally binding obligation, enforceable in accordance with its terms.

(b) Purchase Entirely for Own Account. The Purchased Shares to be received by the Purchaser pursuant to this Agreement will be acquired for investment for the Purchaser's own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof, and the Purchaser has no present intention of selling, granting any participation in, or otherwise distributing the same.

(c) Accredited Investor. The Purchaser is an "accredited investor" within the meaning of SEC Rule 501 of Regulation D, as presently in effect.

(d) Knowledge, Experience and Resources. The Purchaser has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of an investment in the Company and is able to bear the economic risks of an investment in the Purchased Shares for an indefinite period of time and to withstand a complete loss of such investment.

(e) Receipt of Information. The Purchaser has met with officers of the Company and its subsidiary, has had an opportunity to ask questions and receive answers concerning the business, properties, prospects and financial condition of the Company and the terms and conditions of an investment in the Company, and has received all information that it believes is necessary or desirable in connection with an investment in the Company. The Purchaser is solely responsible for its own due diligence investigation of the Company and its proposed business, for its analysis of the merits and risks of its investment made pursuant to this Agreement and for its analysis of the terms of its investment.

(f) Restricted Securities. The Purchaser understands that the Purchased Shares and the Warrants it is purchasing are characterized as "restricted securities" under the federal

securities laws inasmuch as they are being acquired from the Company in a transaction not involving a public offering and that under such laws and applicable regulations such securities may be resold without registration under the Act, as amended, only in certain limited circumstances. In this connection, the Purchaser represents that it is familiar with Securities and Exchange Commission Rule 144, as presently in effect, and understands the resale limitations imposed thereby and by the Act

(g) Brokers and Finders. Neither the Purchaser nor any of its officers, directors or employees has employed any broker or finder or incurred any liability for any brokerage fee, commission or finders fee in connection with the transactions contemplated by this Agreement.

(h) Legends. It is understood that the certificates evidencing the Purchased Shares may bear one or all of the following legends:

(i) "THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF A REGISTRATION STATEMENT IN EFFECT WITH RESPECT TO THE SECURITIES UNDER SUCH ACT OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED OR UNLESS SOLD PURSUANT TO RULE 144 OF SUCH ACT."

(ii) The legend required by the Stockholders' Agreement, as defined in Section 4(d), below.

(iii) Any legend required by the blue sky laws of any state to the extent such laws are applicable to the shares represented by the certificate so legended.

(j) Foreign Investors. If Purchaser is not a United States person, Purchaser hereby represents that it has satisfied itself as to the full observance of the laws of its jurisdiction in connection with any invitation to subscribe for the Purchased Shares or any use of this Agreement, including (i) the legal requirements within its jurisdiction for the purchase of the Purchased Shares and the Warrants, (ii) any foreign exchange restrictions applicable to such purchase, (iii) any governmental or other consents that may need to be obtained, and (iv) the income tax and other tax consequences, if any, that may be relevant to the purchase, holding, redemption, sale or transfer of the Purchased Shares and the Warrants. Such Purchaser's payment for, and its continued beneficial ownership of the Purchased Shares and the Warrants, will not violate any applicable securities or other laws of its jurisdiction.

4. Conditions of Purchaser's Obligations at Closing. The obligation of the Purchaser to purchase the Purchased Shares and the Warrants at the Closing under this Agreement is subject to the fulfillment on or before the Closing of each of the following conditions, any of which may be waived pursuant to Section 6(e) of this Agreement:

(a) Performance. The Company and VEI shall have performed and complied, in all material respects, with all agreements, obligations and conditions contained in this Agreement that are required to be performed or complied with by it on or before the Closing.

(b) Compliance Certificate. The President or Chief Executive Officer of the Company and the President or Chief Executive Officer of VEI shall deliver to the Purchaser at the Closing a certificate stating that the conditions specified in Section 4(a) together with a customary certification of the Secretaries of the Company and of VEI as to the incumbency of the relevant officers of the Company and of VEI.

(c) Authorizations. All authorizations, approvals, or permits, if any, of any governmental authority or regulatory body that are required in connection with the lawful issuance and sale of the Purchased Shares at the Closing pursuant to this Agreement shall be duly obtained and effective as of the Closing.

(d) Stockholders' Agreement. Contemporaneously with the execution of this Agreement, the Company, the Purchaser, and VEI shall have executed and delivered the Stockholders' Agreement in the form attached hereto as Exhibit B (the "Stockholders' Agreement").

(e) Tax Summary. VEI shall have furnished to Purchaser a summary of the tax implications of the transactions contemplated by this Agreement as they relate to the Purchaser, the Company, VEI and VGEI.

(f) Legal Opinions. VEI and VGEI shall have delivered to the Purchaser a legal opinion in the form attached as Exhibit C.

(g) Required Consents. VEI and VGEI shall have received the consent of IFC and 1818 Fund to the transactions contemplated by this Agreement.

5. Conditions of VEI's and the Company's Obligations at Closing. The obligation of VEI to sell the Purchased Shares and the Warrants at the Closing to the Purchaser under this Agreement is subject to the fulfillment on or before the Closing of each of the following conditions, any of which may be waived pursuant to Section 6(e) of this Agreement:

(a) Payment of Consideration. The Purchaser shall have delivered the Aggregate Consideration as specified in Section 1(a) hereof to VEI.

(b) Performance. The Purchaser shall have performed and complied, in all material respects, with all agreements, obligations and conditions contained in this Agreement that are required to be performed or complied with by it on or before the Closing.

(c) Compliance Certificate. The Representative Director of the Purchaser shall deliver to the Company at the Closing a certificate stating that the conditions specified in Section 5(b) have been fulfilled together with certifications as to the incumbency of relevant officers of the Purchaser.

(d) Authorizations. All authorizations, approvals, or permits, if any, of any governmental authority or regulatory body that are required in connection with the lawful issuance and sale of the Purchased Shares at the Closing pursuant to this Agreement shall be duly obtained and effective as of the Closing.

(e) Stockholders' Agreement. Contemporaneously with the execution of this

Agreement, the Company, the Purchaser, and VEI shall have executed and delivered the Stockholders' Agreement.

(f) Required Consents. The Company, VEI and VGEI shall have received the consent of IFC and 1818 Fund to the transactions contemplated by this Agreement.

(g) Amended and Restated Subordinated Credit Agreement. Purchaser shall have entered into the Amended and Restated Subordinated Credit Agreement with VEI and 1818 Fund to loan $3,000,000 of a $13,000,000 loan described in such Agreement dated as of ---------- , 2002, in form and substance reasonably satisfactory to VEI and shall fund $3,000,000 at Closing into the "Sponsor Escrow Account" as defined in said Amended and Restated Subordinated Credit Agreement.

6. Miscellaneous.

(a) Indemnity; Survival of Warranties. The warranties, representations and covenants of the Company, VEI and the Purchaser contained in or made pursuant to this Agreement shall survive the execution and delivery of this Agreement and the Closing for a period of one year and shall in no way be affected by any investigation of the subject matter thereof made by or on behalf of the Purchaser, VEI or the Company. Each party shall indemnify and hold harmless the other parties from and against any actual damage, loss, liability, cost or expense (including reasonable attorneys fees) incurred by the other resulting from any breach of the party's representations, warranties or covenants in this Agreement.

(b) No Assignment. No party may assign or otherwise transfer any rights, interests or obligations under this Agreement without the prior written consent of the other parties, which consent may be withheld in the sole and absolute discretion of such parties for any reason whatsoever or for no reason, and any attempted assignment in violation of this provision shall be void and of no effect.

(c) Severability. If any provision of this Agreement, or the application thereof, shall for any reason and to any extent be invalid or unenforceable, the remainder of this Agreement and application of such provision to other persons or circumstances shall be interpreted so as best to reasonably effect the intent of the parties hereto. The parties further agree to replace such void or unenforceable provision of this Agreement with a valid and enforceable provision which will achieve, to the extent possible, the economic, business and other purposes of the void or unenforceable provision.

(d) Entire Agreement. This Agreement, the exhibits hereto, the documents and agreements referred to herein and the exhibits thereto, constitute the entire understanding and

agreement of the parties hereto with respect to the subject matter hereof and thereof and supersede all prior and contemporaneous agreements or understandings, inducements or conditions, express or implied, written or oral, between the parties with respect hereto and thereto. To the extent that the terms of this Agreement conflict with the terms of any document or agreement referred to herein, the terms of the Loan Agreement dated as of April 19, 2002 between VGEI and IFC shall control.

(e) Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the Purchaser.

(f) Expenses. Except as provided to the contrary herein, each party shall pay all of its own costs and expenses with respect to the negotiation, execution and delivery of this Agreement and exhibits hereto. The Company's costs and expenses with respect to the negotiation, execution and delivery of this Agreement and exhibits hereto shall be paid by VEI.

(g) Governing Law. This Agreement shall be governed by, and construed in all respects in accordance with, the laws of the State of New York, without regard to the principles of conflict of laws thereof.

(h) Notices. All notices and other communications required or permitted hereunder shall be in writing and shall be delivered by personal delivery, an internationally recognized courier such as DHL or Federal Express, facsimile or first class registered or certified mail, postage prepaid, addressed as follows:

If to the Purchaser to:

Nissho Iwai Corporation
3-1, Daiba 2-chome, Minato-ku, Tokyo 135-8655 JAPAN
Attention: Shinichi Teranishi, General Manager,
Energy Project Department,

Facsimile No.: 81-3-5520-2964

If to the Company to:

VAALCO International, Inc.
4600 Post Oak Place, Suite 309
Houston, Texas 77027
Attention: President
Facsimile No.: 713-623-0982

If to VEI to:

VAALCO Energy, Inc.
4600 Post Oak Place, Suite 309
Houston, Texas 77027
Attention: President
Facsimile No.: 713-623-0982

or at such other address as the intended recipient previously shall have designated by written notice to the other party. Notice by registered or certified mail shall be effective on the date it is officially recorded as delivered to the intended recipient by return receipt or equivalent, and in the absence of such record of delivery, the effective date shall by presumed to have been the eighth business day after it was deposited in the mail. All notices and other communications required or contemplated by this Agreement delivered in person or sent by an internationally recognized courier shall be deemed to have been delivered to and received by the addressee and shall be effective on the date of personal delivery. Notices delivered by confirmed facsimile shall be deemed delivered to and received by the addressee and effective on the date sent. Notice not given in writing shall be effective only if acknowledged in writing by a duly authorized representative of the party to whom it was given.

(i) Headings. The titles of the sections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

(j) Jurisdiction. Any legal action or proceeding relating to this Agreement shall be instituted in a state or federal court in New York, NY. The parties agree to submit to the jurisdiction of, and agree that venue is proper in, these courts in any such legal action or proceeding.

(k) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument. Execution and delivery of this Agreement by exchange of facsimile copies bearing the facsimile signature of a party hereto shall constitute a valid and binding execution and delivery of this Agreement by such party. Such facsimile copies shall constitute enforceable original documents.

(l) Construction. This Agreement has been negotiated by the respective parties hereto and their attorneys and the language hereof shall not be construed for or against any party.

[signature pages to follow]

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

COMPANY:

VAALCO International, Inc.

By: _____
Name: _____
Title: _____

PURCHASER:

Nissho Iwai Corporation

By: _____

Name:

Title:

VEI:

VAALCO Energy, Inc.

By:

Name:

Title:

Signature Page
Stock Purchase Agreement

EXHIBIT A
Schedule of Exceptions

Section 2(h)

1. Amended and Restated Subordinated Credit Agreement, dated as of June 10, 2002 among 1818 Fund II, L.P, Nissho Iwai Corporation and VALCO Energy, Inc., as amended.

2. Loan Agreement, dated as of April 19, 2002 between VAALCO Gabon (Etame) Inc. and International Finance Corporation, as amended.

Section 2(i)

1. Amended and Restated Pledge of Shares Agreement dated May 31, 2002, among VAALCO Energy, Inc., VAALCO International Inc. and International Finance Corporation as amended.

EXHIBIT B
Stockholders' Agreement

EXHIBIT 10.2

Execution Copy

STOCKHOLDERS' AGREEMENT

THIS STOCKHOLDERS' AGREEMENT (this "Agreement") is made and entered into this 23rd day of August, 2002, by and among VAALCO International, Inc., a Delaware corporation (the "Company"), VAALCO Energy, Inc., a Delaware corporation ("VEI"), and Nissho Iwai Corporation, a Japanese corporation ("NIC").

Preliminary Statements

WHEREAS, NIC, VEI and the Company (collectively the "Parties") are party to that certain Stock Purchase Agreement dated as of August 23, 2002 (the "Purchase Agreement"), pursuant to which NIC will purchase from VEI 999 shares of the Company's common stock, par value $0.001 per share (the "Common Stock");

WHEREAS, VEI is the holder of the remaining 9001 shares of Common Stock outstanding, and continues to be a party to the Subscription Agreement dated August 23, 2002 between the Company and VEI with respect to such shares (as amended, supplemented or otherwise modified from time to time, (the "Subscription Agreement"); and

WHEREAS, the parties hereto deem it in their mutual best interests to make the agreements contained herein.

Agreement

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements contained herein and for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree as follows:

1. Definitions. The following defined terms shall have the respective meanings assigned to them below:

"1818 Fund" shall mean The 1818 Fund II, L.P., a Delaware limited partnership and its successors and assigns.

"AFE" shall mean an authorization for expenditure pursuant to Article 6.6 of the Joint Operating Agreement.

"Agreement" shall have the meaning set forth in the Preamble to this Agreement.

"Amounts Attributable to a Consent Operation" shall have the meaning set forth in Section 6(a).

"Amounts Attributable to Non-Consent Operations" shall have the meaning set forth in Section 5(a).

"Approved Budget" shall mean the annual budget forming part of the Work Program and Budget as in effect from time to time, as discussed and approved in accordance with Article VI

of the Joint Operating Agreement. The Approved Budget for the current fiscal year is attached as Exhibit C.

"Capital Cost of Consent Operations" shall have the meaning set forth in Section 5(a).

"Capital Cost of a Non-Consent Operation" shall have the meaning set forth in Section 6(a).

"Cash Call" shall have the meaning set forth in Section 6(e).

"Common Stock" shall have the meaning set forth in the Preliminary Statements to this Agreement.

"Company" shall have the meaning set forth in the Preamble to this Agreement.

"Consent Operation" means all Mandatory Operations and any Discretionary Operations with respect to which there are no Non-Consenting Stockholders.

"Consenting Stockholder" shall have the same meaning set forth in Section 6(b).

"Default Loan" shall have the same meaning set forth in Section 7(a).

"Default Note" shall have the same meaning set forth in Section 7(a).

"Default Notice" shall have the same meaning set forth in Section 7(a).

"Designated Director" shall mean a person designated as a nominee for election to the Company's Board of Directors pursuant to this Agreement in accordance with Section 2(a). The initial Designated Directors are: W. Russell Scheirman, Robert Gerry III and Shinichi Teranishi.

"Designated Officer" shall mean the following persons designated for election to serve as officers of the Company by the Company's Board of Directors:

Name	Title
W. Russell Scheirman	President, Treasurer, Assistant Secretary
Shinichi Teranishi	Vice President (NIC Representative)
Gayla Cutrer	Vice President, Secretary

"Discretionary Operations" shall have the same meaning set forth in Section 6(a).

"Disposition" shall mean any sale, transfer, assignment, pledge or other disposition, whether voluntary or involuntary or in full or in part.

"Drag Along Right" shall have the meaning set forth in Section 10(c).

"Etame Field Contract Area" shall mean that certain area offshore the Republic of Gabon in which VGEI has a 30.35% participating interest pursuant to the Production Sharing Contract.

"Excess Amount" shall have the meaning set forth in Section 6(d).

"Excess Percent" shall have the meaning set forth in Section 6(d).

"IFC" shall mean the International Finance Corporation and its successors and assigns.

"IFC Loan" shall mean the loan evidenced by Loan Agreement dated April 19, 2002, between IFC and VGEI, as amended, supplemented or modified from time to time.

"Initial Percent" shall have the meaning set forth in Section 6(b).

"Initial Revolving Note" shall have the meaning set forth in Section 5(c).

"Joint Operating Agreement" shall mean the Joint Operating Agreement dated as of April 4, 1997 among VGEI, VAALCO Energy (Gabon), Inc., Western Atlas Afrique, Ltd., Petrofields Exploration & Development Co., Inc. and Alcorn Petroleum and Minerals Corporation, as it may be amended, supplemented or modified from time to time.

"Mandatory Operation" shall mean a particular operation in the Etame Field Contract Area relating to (i) Minimum Work Obligations pursuant to Article V of the Joint Operating Agreement approved by the Operating Committee, (ii) any other operation conducted as contemplated by a Work Program and Budget, provided that VGEI did not vote against the proposal for such operation as contemplated by Section 5.13(B) of the Joint Operating Agreement, or (iii) in connection with emergency actions for which reimbursement of the Operator is mandatory, including pursuant to Article 4.2(B)(11) and Article 13.5 of the Joint Operating Agreement.

"Minimum Work Obligations" shall mean those work and/or expenditure obligations specified in the Production Sharing Contract which must be performed during the then current Production Sharing Contract phase or period in order to satisfy the obligations of the Production Sharing Contract.

"Monthly Statement" shall have the meaning set forth in Section 5(a).

"NIC" shall have the meaning set forth in the Preamble to this Agreement.

"Non-Consent Note" shall have the meaning set forth in Section 6(e).

"Non-Consent Operation" will mean any Discretionary Operation with respect to which there is a Non-Consenting Stockholder.

"Non-Consenting Stockholder" shall have the meaning set forth in Section 6(b).

"Offering Notice" shall have the meaning set forth in Section 10(a)(i).

"Offering Price" shall mean the price at which the Selling Stockholder would be willing to make a Disposition of the Subject Shares to the other Stockholders.

"Operating Committee" shall mean the committee constituted in accordance with Article V of the Joint Operating Agreement.

"Operator" shall mean the operator of the Etame Field Contract Area under the Joint Operating Agreement.

"Participation Agreement" shall mean the agreement of even date herewith between 1818 Fund and NIC with respect to NIC's participation under the Subordinated Loan.

"Party" shall mean the Company, VEI, NIC or any other party to this Agreement as applicable.

"Party in Default" shall have the meaning set forth in Section 7(a).

"Permitted Disposition" shall have the meaning set forth in Section 9.

"Pledge of Shares Agreement" shall mean the Pledge of Shares Agreement dated May 31, 2002 between VEI and IFC, as amended modified or otherwise supplemented from time to time.

"Production Sharing Contract" shall mean that certain Exploration and Production Sharing Contract dated as of July 7, 1995, between VGEI and the Republic of Gabon, and any extension, renewal or amendment thereof and any supplements or modification thereto.

"Proposed Purchaser" shall have the meaning set forth in Section 10(b).

"Purchase Agreement" shall have the meaning set forth in the Preliminary Statements to this Agreement.

"Reply Notice" shall have the meaning set forth in Section 10(a)(i).

"Request for Advance" shall have the meaning set forth in Section 5(b).

"Revolving Note" shall mean one or more of the Company's revolving promissory notes payable to a Stockholder substantially in the form of Exhibit B, completed as contemplated by this Agreement.

"Section 7.2(E) Request" shall have the meaning set forth in Section 6(b).

"Selling Stockholder" shall have the meaning set forth in Section 10(a).

"Stockholders" shall mean VEI, NIC and any person who executes or is required to execute an Addendum Agreement (attached hereto as Exhibit A).

"Subject Shares" shall have the meaning set forth in Section 10(a).

"Subordinated Loan" shall mean that loan facility evidenced by the Subordinated Credit Agreement dated as of June 10, 2002, between 1818 Fund and VEI, as amended, modified or otherwise supplemented from time to time.

"Subordination and Share Retention Agreement" shall mean that Subordination and Share Retention Agreement dated May 10, 2002 between VGEI, VEI and IFC, as amended, modified or otherwise supplemented from time to time.

"Subscription Agreement" shall have the meaning set forth in the Preliminary Statements to this Agreement.

"Tag Along Stockholders" shall have the meaning set forth in Section 10(b).

"Tag Along Notice" shall have the meaning set forth in Section 10(b).

"Tag Along Shares" shall have the meaning set forth in Section 10(b).

"Unfunded Capital Costs of Consent Operations" shall have the meaning set forth in Section 5(a).

"VEI" shall have the meaning set forth in the Preliminary Statements to this Agreement.

"VGEI" shall mean the Company's subsidiary VAALCO Gabon (Etame) Inc., a Delaware corporation.

"Voting Securities" shall mean Common Stock and any other securities of the Company entitled to vote generally for the election of directors of the Company.

"Work Programs and Budgets" shall mean work programs for those operations and activities carried out by the Operator pursuant to the Joint Operating Agreement, the costs of which are chargeable to all parties, and budget therefore as described and approved in accordance with Article VI of the Joint Operating Agreement.

2. Directors; Voting Agreement; Officers.

(a) For so long as this Agreement shall be in effect, the Company's Board of Directors shall be comprised of three members, two of which shall be nominated by VEI and one of which shall be nominated by NIC (with each such director being referred to as a "Designated Director"). If there exists a Party in Default, each Stockholder agrees to use its reasonable best efforts, including voting its shares of Common Stock, to cause the Company's Board of Directors to remove any Designated Director(s) of the Party in Default from the Company's Board of Directors for so long as the default is continuing. Upon cure of such default, the Stockholders agree to cause the Company to promptly nominate for election or re-election, as the case may be, to the Company's Board of Directors a nominee designated by the Stockholder that was formerly the Party in Default.

(b) Each Stockholder agrees (i) to use its reasonable best efforts to cause the Company's Board of Directors to be composed of three members, (ii) to use its reasonable best

efforts to cause the Company to nominate or cause to be nominated to the Company's Board of Directors all Designated Directors (iii) to use its reasonable best efforts to cause the Company to elect or cause to be elected to serve as officers of the Company all Designated Officers and (iv) to vote or cause to be voted all Voting Securities beneficially owned by such Stockholder in favor of the election of the Designated Directors to the Company's Board of Directors.

(c) In the event of the death, incapacity, resignation or removal of a Designated Director, the Stockholder who initially nominated such Designated Director shall promptly nominate a new person to be a Designated Director to fill the vacancy caused thereby and the Stockholders shall use their reasonable best efforts to promptly cause such Designated Director to be elected to the Company's Board of Directors in accordance with Section 2(b).

(d) Each Stockholder agrees to use its reasonable best efforts to cause the Company's Board of Directors to re-elect the Designated Officers until such time as the Company's Board of Directors unanimously agrees not to re-elect or unanimously agrees to remove one or more of such Designated Officers. In the event of the death, incapacity, resignation or removal of a Designated Officer, the Stockholder who initially selected such Designated Officer shall promptly select a new person to be a Designated Officer to fill the vacancy caused thereby and the Stockholders shall use their reasonable best efforts promptly cause such Designated Officer to be elected to the Company's Board of Directors in accordance with Section 2(b).

(e) Unanimous approval of the Company's Board of Directors shall be required for the following actions:

(i) determining the amount, if any, of fees and compensation amounts to be paid by the Company to the officers and members of the Board of Directors of the Company;

(ii) approval of any loans by the Company to the officers or members of the Board of Directors of the Company;

(iii) other than for advances or loans by the Stockholders contemplated by this Agreement, borrowing by the Company of any amounts over $1,000,000 aggregate principal amount outstanding at any one time; and

(iv) to incur any general and administrative expense that would cause

total general and administrative expenses to exceed $25,000 during any fiscal year of the Company.

3. Unanimous Stockholder Approval. Each Stockholder agrees that each of the following actions will require the unanimous approval of all Stockholders and that it will use its reasonable best efforts, including voting against such action if a vote is required, to prevent any of the following actions from occurring without unanimous approval of all Stockholders:

(a) Any transaction of merger, consolidation or reorganization, conveyance, sale, lease, exchange, transfer, pledge or other disposition in any transaction or related series of transactions of all or substantially all of the respective capital stock, properties, business or assets of the Company or VGEI, except for: (i) any direct or indirect sale, transfer or assignment of common stock of VGEI pursuant to realization of any pledge relating to the IFC Loan or Subordinated Loan, or as otherwise provided herein, (ii) transfers pursuant to which: (x) the

Stockholders receive their proportionate interest in (based on ownership of Common Stock) and become, directly or indirectly, parties to the Joint Operating Agreement, Production Sharing Contract and other agreements relating to the ownership and operation of the Etame Field Contract Area and (y) no right of first refusal or preferential right is triggered under the Joint Operating Agreement or Production Sharing Contract with respect to such transfer; provided however that the Stockholders acknowledge and agree that if at anytime a Stockholder desires to divest its underlying economic interest in the Etame Field Contract Area, each of the Stockholders shall cooperate and act reasonably to allow such Stockholder to accomplish the divestiture of its underlying economic interest in the Etame Field Contract Area.

(b) Any disposition of capital stock of the Company, provided that if there is a Party in Default, until any default causing such Party to be a Party in Default shall have been cured, any disposition of capital stock of the Company shall be approved by a majority of the Company's Board of Directors excluding the Designated Director(s) of the Party in Default.

(c) Any new investments by the Company outside of the Etame Field Contract Area.

4. Dividend Policy. Each Stockholder agrees to use its reasonable best efforts to cause the Company's Board of Directors to adhere to a dividend policy whereunder, to the extent permitted by Delaware law, all cash flow from Mandatory Operations and all cash flow from Discretionary Operations, less any amount used to repay advances to Stockholders made pursuant to Sections 5 or 6, or 7 and as reasonably determined by the Board of Directors to be necessary to fund the working capital requirements of the Company over the next 12 months, shall be distributed to the Stockholders as a dividend at least annually. The Company agrees, as the sole stockholder of VGEI, to use its reasonable best efforts to cause VGEI's Board of Directors to adhere to a dividend policy whereunder, to the extent permitted by Delaware law, all cash on hand, less any amount reasonably determined by the Board of Directors of VGEI to be necessary to fund the working capital requirements of VGEI over the next 12 months contained in an Approved Budget, shall be distributed to the Company as a dividend, at least annually; provided, however, for so long as the IFC Loan remains in effect, such policy shall comply with the terms and conditions of the IFC Loan and the transactions contemplated therein.

5. Funding of Consent Operations.

(a) As used herein, (i) "Capital Costs of Consent Operations" means the amount allocable to VGEI as set forth in a monthly statement ("Monthly Statement"), AFE or supplemental AFE issued by the Operator under the Joint Operating Agreement stating the payments then due or to become due by VGEI to fund its pro rata share of a Consent Operation attributable to periods after March 31, 2002; (ii) "Unfunded Capital Costs of Consent Operations" means, at any time, the Capital Costs of Consent Operations, less without duplication (x) any amounts (net of reasonable reserves established by the Company) then held by the Company representing Amounts Attributable to Consent Operations (y) any amounts that VGEI determines are available to fund such costs under the IFC Loan and (z) any funds held by VGEI, other than Amounts Attributable to Non-Consent Operations, less reserves deemed necessary by VGEI to meet working capital requirements over the next 12 months contained in an Approved Budget or amounts determined by VGEI to be necessary under the IFC Loan to maintain minimum equity threshold levels; and (iii) "Amounts Attributable to Consent

Operations" means all funds held by the Company at any time attributable to dividends, payments or other amounts received by the Company from VGEI or any other source other than Amounts Attributable to Non-Consent Operations. The Company shall cause VGEI to provide to the Company and the Stockholders within 30 days after the last day of VGEI's fiscal quarter on a quarterly basis a cash flow projection covering at least the next 90 days from the date of this Agreement.

(b) Subject to the terms and conditions set forth herein, each Stockholder agrees to advance to the Company, from time to time as provided herein, pursuant to the Initial Revolving Note, such Stockholder's pro rata share, based on the number of shares of Common Stock owned, of Unfunded Capital Costs of Consent Operations. Unless otherwise agreed by the Stockholders, not less than 10 days (or such shorter period as may be necessary) before due and promptly upon receipt by VGEI of the Monthly Statement, any AFE or supplemental AFE, the Company shall cause VGEI to distribute to the Company and the Stockholders a copy of the Monthly Statement, AFE or Supplemental AFE and the Company shall distribute to each Stockholder a request for advance ("Request for Advance") setting forth the amount of the Capital Costs of Consent Operations, the Unfunded Capital Costs of Consent Operations, such Stockholder's share of such Unfunded Capital Costs of Consent Operations, the due date for the advance of such Stockholder's share of such costs and wire transfer instructions for payment of such advance. On or prior to the due date for such payment as specified in the Request for Advance, each Stockholder shall wire transfer to the account specified in such Request for Advance such Stockholder's share of the Unfunded Capital Cost of Consent Operations as specified in the Request for Advance. The Company shall promptly advance such funds to VGEI as a capital contribution or loan, as determined by the Company; provided that if the IFC Loan has not been repaid, the advance shall be made in accordance with the terms of the IFC Loan.

(c) On the date hereof, the Company has executed and delivered to each Stockholder a Revolving Note pursuant to which the advances contemplated by this Section and with respect to Consent Operations will be made and repaid ("Initial Revolving Note"). All principal and interest of the Initial Revolving Notes will be non-recourse to the Company, payable solely from Amounts Attributable to Consent Operations. The terms and conditions of the Initial Revolving Note shall be incorporated by reference herein as if fully stated herein.

(d) The Stockholders acknowledge and agree that it is the intention of such Stockholders and of the Company to utilize the available capital of VGEI and the Company and the funds available to VGEI under the IFC Loan to the maximum extent possible to fund VGEI's obligations under the Joint Operating Agreement before requiring the Stockholders to advance additional amounts to the Company except to the extent required under the IFC Loan to maintain threshold equity levels and to otherwise comply with the terms and conditions of the IFC Loan.

6. Funding of Non-Consent Operations.

(a) As used herein, (i) a "Discretionary Operation" means a particular operation in the Etame Contract Field Area under the Joint Operating Agreement other than a Mandatory Operation for which an AFE has been issued or is proposed to be issued; (ii) a "Non-Consent Operation" shall mean a Discretionary Operation with respect to which one party is a

Consenting Stockholder and the other party is a Non-Consenting Stockholder; (iii) "Capital Cost of a Non-Consent Operation" shall mean the capital costs accrued after March 31, 2002 and paid or payable by VGEI under the Joint Operating Agreement with respect to a Non-Consent Operation; and (iv) "Amounts Attributable to a Non-Consent Operation" means, for each Non-Consent Operation, at any time, all dividends or other payments received by the Company from VGEI attributable to such Non-Consent Operation plus any interest or other earnings thereon. For the avoidance of doubt a Discretionary Operation may include Exclusive Operations under and as defined in the Joint Operating Agreement, or operations in which all parties to the Joint Operating Agreement participate.

(b) The Company shall cause VGEI to promptly provide written notice to the Company and the Stockholders of each and every communication received or sent under the Joint Operating Agreement requesting that VGEI consent to or not consent to any operation. Each Stockholder shall notify the Company within the time periods specified below, whether (i) such Stockholder agrees to advance to the Company, from time to time as provided herein, an amount equal to such Stockholder's Initial Percent of the Capital Cost of such Discretionary Operation or (ii) such Stockholder will not advance such funds. As used herein, (i) a Stockholder's "Initial Percent" is equal to the number of shares of Common Stock then owned by a Stockholder divided by the total number of shares of Common Stock then outstanding, expressed as a percentage; (ii) a Stockholder which agrees to advance such funds shall be deemed a "Consenting Stockholder" and a Stockholder which does not agree, or is deemed not to agree, to advance such funds shall be a "Non-Consenting Stockholder." A Stockholder shall be

deemed to have elected not to advance funds, and shall be deemed a Non-Consenting Stockholder, if such Stockholder has not notified the Company of its agreement to advance funds as contemplated by this Section 6(b) no later than 12 hours prior to VGEI's deadline to respond under the Joint Operating Agreement to the extent the deadline is twenty-four hours or less and no later than one day prior to any other deadlines under the Joint Operating Agreement by which VGEI is required to respond with respect to its election as to such proposed Discretionary Operations. If, with respect to a Discretionary Operation, a party to the Joint Operating Agreement exercises its non-consent rights and VGEI is requested to contribute additional amounts to pay a portion of the amounts attributable to the non-consenting party as contemplated by Section 7.2(E) of the Joint Operating Agreement (a "Section 7.2(E) Request"), then the Company shall cause VGEI to notify the Company and the Stockholders of such request. With respect to any operation, each Stockholder consent shall be deemed revoked with respect to such operation upon receipt of a Section 7.2(E) Request, and the Section 7.2(E) Request shall be deemed a new request that VGEI consent to an operation and shall be subject to the provisions of Section 6.2(b).

(c) If all of the Stockholders are Consenting Stockholders, then the Company shall cause VGEI to take all actions under the Joint Operating Agreement to consent to the Discretionary Operation. If one or more Stockholders is a Non-Consenting Stockholder, the Company will cause VGEI to take all actions under the Joint Operating Agreement to not consent to the operation, subject to Subsection (d) below.

(d) If one or more Stockholders is a Non-Consenting Stockholder, the Company may request that the Consenting Stockholders agree in writing to advance the Initial Percent of the Capital Costs of a Discretionary Operation allocable to the Non-Consenting Stockholders. If one

or more Consenting Stockholders agrees to advance the entire Initial Percent of the Capital Costs of a Discretionary Operation allocable to Non-Consenting Stockholders then the Company shall cause VGEI to take all actions under the Joint Operating Agreement to consent to the Discretionary Operation (and such Discretionary Operation shall be deemed a Non-Consent Operation as used herein). The portion of the Initial Percent of the Capital Costs of a Non-Consent Operation that a Consenting Stockholder agrees to advance that were otherwise allocable to Non-Consenting Stockholders is referred to as the Consenting Stockholder's "Excess Percent" For purposes of greater clarity, if a Consenting Stockholder agrees to fund 50% of the Initial Percent of a Non-Consenting Stockholder in respect of a Non-Consent Operation and such Initial Percent of such Non-Consenting Stockholder is 20%, the Excess Percent of such Consenting Stockholder in respect of such Non-Consent Operation shall be 10%. The amount of Capital Costs of a Non-Consent Operation actually advanced by a Consenting Stockholder shall be referred to as such Stockholder's "Excess Amount" in respect of such Non-Consent Operation.

(e) If the Company has caused VGEI to consent to a Non-Consent Operation as contemplated by this Section, each Consenting Stockholder agrees to advance to the Company, from time to time as provided herein, such Consenting Stockholder's Initial Percent and Excess Percent, if any, of each Cash Call with respect to such Non-Consent Operation. Promptly following receipt of an AFE, supplemental AFE, Cash Call or other request for payment of all or a portion of the Capital Cost of a Non-Consent Operation ("Cash Call") made to VGEI under the Joint Operating Agreement for any Non-Consent Operation, the Company shall cause VGEI to promptly notify the Company, and to provide to the Company a copy of such Cash Call and all other information received in connection with such Cash Call. The Company shall promptly provide to each Stockholder which is a Consenting Stockholder with respect to such Non-Consent Operation, a copy of the materials received from VGEI together with the following: (i) the aggregate amount of the Cash Call, (ii) the Initial Percent of such Consenting Stockholder, (iii) the Excess Percent of the Consenting Stockholder, if any, (iv) the total amount such Consenting Stockholder is required to advance and (v) wire transfer instructions for the account to which such Consenting Stockholder should transfer such funds. Each Consenting Stockholder shall promptly, but in any event within five business days of the receipt of such materials, advance to the Company by wire transfer to the account specified in the foregoing notice, an amount equal to such Consenting Stockholder's Initial Percent multiplied by the applicable Cash Call plus such Stockholder's Excess Percent, if any, multiplied by the applicable Cash Call. Such advances shall be made pursuant to a Revolving Note, in a form substantially similar to the Initial Revolving Note with appropriate changes to reflect the repayment terms set forth herein ("Non-Consent Note"). A Non-Consent Note shall be issued by the Company to the Consenting Stockholder at the time the applicable funds are advanced and shall provide that all amounts owed or owing under such note shall be payable solely out of the Amounts Attributable to the Non-Consent Operation with respect to which such note was made and shall be otherwise non-recourse to the Company. The Company shall advance the amounts received from the Consenting Stockholders to VGEI as a loan or capital contribution, as determined by the Company; provided that if the IFC

Loan has not been repaid, the advance shall be made in accordance with the terms of the IFC Loan and the Transaction Documents (as defined in the loan agreement evidencing the IFC Loan).

(f) With respect to each Non-Consent Operation, the Non-Consenting Stockholder(s) shall assign to each Consenting Stockholder (pro rata in accordance with such Consenting Stockholder's Excess Percent), as liquidated damages for the failure to consent to such operation, the right to receive all dividends or other distributions payable by the Company to such Non-Consenting Stockholder representing Amounts Attributable to such Non-Consent Operation until such time as the Consenting Stockholders shall have received:

(i) if such Non-Consent Operation is described in Section 7.5(B)(i) of the Joint Operating Agreement, 300% of the Excess Amount advanced by such Consenting Stockholder; and

(ii) otherwise, 500% of the Excess Amount advanced by such Consenting Shareholder.

Each Non-Consenting Stockholder hereby assigns to each Consenting Stockholder the dividends contemplated above, and directs to the Company to make payment of such dividend directly to the Consenting Stockholder as contemplated above. Each Non-Consenting Stockholder hereby releases the Company from any liability or obligation with respect to such payments.

7. Default.

(a) If a Stockholder fails to pay any amounts due under Section 5 or any amount it owes as a Consenting Stockholder under Section 6 of this Agreement, or any other amount due under this Agreement, when due, it shall be deemed a "Party in Default" and the non-defaulting Stockholder(s) shall be required to promptly advance such amounts to the Company (if more than one such non-defaulting Stockholder, pro rata in accordance with the number of shares of Common Stock owned) a "Default Loan". Upon the making of a Default Loan by a Stockholder, the Company shall issue a note a "Default Note" evidencing such Default Loan (in form substantially similar to the Initial Revolving Note with appropriate changes to reflect the interest rate and repayment terms set forth herein) to the Stockholders making such advances. Amounts advanced pursuant to a Default Loan shall accrue interest from the date advanced until paid in full at the rate per annum equal to the higher of the interest payable on the applicable Revolving Note, or Non-Consent Note plus 2%, provided, however, that in the event the aforesaid rate is contrary to any applicable usury law, the rate of interest to be charged shall be the maximum rate permitted by such applicable law. Notwithstanding anything to the contrary set forth herein, the Company shall repay amounts advanced as a Default Loan, interest thereon and all other amounts due or outstanding thereunder from any payments under an Initial Note or Non-Consent Note payable to such Party in Default, or dividends or other payments payable to the Party in Default from the Company until such amounts are paid in full. If more than one Default Note has been issued and is outstanding, the repayment of amounts made by the Company thereunder shall be paid to each holder of a Default Note pro rata in accordance with all amounts of principal and interest due and outstanding under such Default Notes as of the date of such repayment. The Company shall promptly give notice of any default by a Party in Default to a Party in Default and to each non-defaulting Stockholder (the "Default Notice"). If the default is not cured within five days after receipt by a Party in Default of the Default Notice, then in such event, for so long as such default is continuing, the Party in Default shall be subject to the following:

(i) Beginning five business days from the date a Default Notice is sent to a Party in Default, and thereafter while the Party in Default remains in default, neither the Party in Default nor its Designated Director(s) or Officer(s) shall be entitled to any rights under Sections 2, 3, 4, 7, 8 and 9 and any information or access pertaining to the Etame Field Contract Area.

(ii) Beginning 60 days from the date the Default Notice is sent to a Party in Default, and thereafter while the Party in Default remains in default, without prejudice to any other rights available to the non-defaulting Stockholder to recover amounts owing to it under this Agreement, such non-defaulting Stockholder or Stockholders (pro rata based on the number of shares of Common Stock owned) shall have the option exercisable for a period of 30 days after all amounts due under the IFC Loan have been paid in full, to purchase at a price of $1,000 all of the Party in Default's right, title and beneficial interest in and to the

capital stock of the Company from the Party in Default effective on the date of the non-defaulting Stockholder's notice of intent to exercise the option to the Party in Default; provided that so long as any amounts remain due under the IFC Loan, the non-defaulting Stockholder must, at its option, either pay in full all amounts owed under the IFC Loan or delay the exercise of the option set forth in this section until the IFC Loan has been repaid. Effective on the date of the non-defaulting Party's notice of intent to exercise the option to purchase the Common Stock owned by the Party in Default, the Party in Default shall assign to the non-defaulting Stockholder as liquidated damages for the failure to pay any amounts due in connection with approved operations, the right to receive all dividends or other distributions payable by the Company to such Party in Default. After receipt of the non-defaulting Stockholder's notice of intent to exercise the option, the Party in Default shall not have the right to cure its default or refuse to allow the non-defaulting Stockholder to exercise the purchase option when the IFC Loan has been repaid.

(b) Should the Party in Default desire to cure its default such Party must advance to the Company pursuant to the Initial Revolving Note or appropriate Non-Consent Note, in one lump sum, all amounts outstanding or owed on any Default Notes issued to the other Stockholders in respect of the default of such Party in Default. Immediately upon such payment, the Company shall use the proceeds to repay the Default Loan, such Party shall no longer be in default. Notwithstanding the foregoing, a Party in Default may not cure such Default after another Party has sent notice of the exercise of the option in Section 7(a)(ii).

8. Financial Reporting.

(a) The Company agrees to deliver and each Stockholder agrees to use its reasonable efforts to cause the Company to deliver to each Stockholder:

(i) as soon as practicable and in any event within 45 days after the end of each quarterly period (other than the last quarterly period) in each fiscal year, statements of income, stockholders' equity and cash flows of the Company for the period from the beginning of the current fiscal year to the end of such quarterly period, and a balance sheet of the Company as at the end of such quarterly period, setting forth in each case in comparative form figures for the corresponding period in the preceding fiscal year, all in

reasonable detail and satisfactory in form to the Stockholders and certified by an authorized financial officer of the Company, subject to changes resulting from year-end adjustment;

(ii) as soon as practicable and in any event within 90 days after the end of each fiscal year, statements of income and cash flows and a statement of stockholders' equity of the Company for such year, and a balance sheet of the Company as at the end of such year, setting forth in each case in comparative form corresponding figures from the preceding annual audit, and reported on by independent public accountants of recognized national standing selected by the Company and, as to the consolidating statements, certified by an authorized financial officer of the Company as true and correct in all material respects;

(iii) as soon as practicable and in any event within 20 days after the end of each month, copies of Management Reports prepared by VGEI one delivered to the Company setting forth in each case in comparative form corresponding figures for monthly revenues, expenses, production, and accounts balances attributable to VGEI's interest in the Etame Field Contract Area and the Production Sharing Contract

(iv) such other information respecting the condition or operations, financial or otherwise, of the Company as any Stockholder may reasonably request.

(b) The Company shall maintain, and shall cause VGEI to maintain, their respective books and records in a manner such that they can specifically identify and allocate all distributions, dividends and other amounts paid by VGEI to the Company and attributable to Mandatory Operations and each Discretionary Operation conducted under the Joint Operating Agreement. In determining whether an item of revenue, cost or expense or a distribution, dividend or other amount was attributable to a Mandatory Operation or a particular Discretionary Operation, all revenues, costs and expenses shall be allocated as provided in the Joint Operating Agreement, and if not provided for in the Joint Operating Agreement, such revenues, costs and expenses shall be allocated in a manner deemed appropriate by the Company in its reasonable discretion, whose allocation shall be final and binding absent manifest error. Each Stockholder shall have the right, during normal business hours and for a proper purpose to inspect the books and records of the Company and VGEI relating

to such allocations. The Company shall use such allocations to determine the Capital Cost of a Consent Operation, the Amounts Attributable to a Consent Operation, the Capital Costs of a Non-Consent Operation, the Amounts Attributable to Non-Consent Operations and the other amounts required to be determined under Sections 5, 6 and 7 of this Agreement, and such determinations by the Company shall be final and binding on the Parties absent manifest error.

9. General Restrictions on Transfer. The Stockholders agree that they will not make a Disposition, except to a wholly owned subsidiary of such Stockholder or to a person who directly or indirectly owns 50% or more of the capital stock of such Stockholder (a "Permitted Disposition") for so long as such assignee remains wholly owned, or in accordance with the terms of this Agreement. Any purported Disposition in violation of any provision of this Agreement, the Subordination and Share Retention Agreement or the Pledge of Shares Agreement will be void and will not operate to transfer any interest or title in such shares to the

purported transferee, and will give the other Stockholders an option and preferential right to purchase such shares in the manner and on the terms and conditions provided in such Agreement.

10. Right of First Option; Tag-Along Rights; and Drag-Along Rights.

(a) If any Stockholder desires to make a Disposition (other than a Permitted Disposition) of any shares of Common Stock owned or held by it by offering for Disposition to a third party, such Stockholder (for purposes of this Section 10, a "Selling Stockholder") shall first offer such shares (the shares of Common Stock proposed to be transferred being called the "Subject Shares") for sale at the Offering Price to the other Stockholders, all in accordance with the following provisions of this Section 10; provided however, if VEI is the Selling Stockholder and any amounts are owed under the IFC Loan, the Selling Stockholder must either obtain the written consent of IFC for the proposed Disposition or cause VGEI to repay all amounts due under the IFC Loan.

(i) The Selling Stockholder shall deliver a written notice ("Offering Notice") to the other Stockholders to sell the Subject Shares to the Stockholders pursuant to this Agreement, indicating the number of Subject Shares and the proposed Offering Price. Within 15 days from the receipt of such Offering Notice, the other Stockholders may deliver to the Selling Stockholder written notice accepting the offer in the Offering Notice ("Reply Notice"), pursuant to which each such Stockholder must purchase the number of shares equal to the product of: (A) the total number of Subject Shares, multiplied by (B) the fraction equal to the total number of shares of Common Stock owned by the Stockholder, divided by the aggregate number of shares of Common Stock owned by all Stockholders other than the Selling Stockholder. Any such Reply Notice shall constitute an agreement binding upon the Selling Stockholder and the Stockholder(s) delivering the Reply Notice to sell and purchase the stated portion of the Subject Shares at the Offering Price or the Purchase Price, as applicable.

(b) If the Stockholders do not elect to purchase all of the Subject Shares then upon any Disposition of the Subject Shares the Selling Stockholder shall cause the proposed transferee (the "Proposed Purchaser") to offer in writing (a "Sale Notice"), not less than 30 nor more than 120 days prior to the consummation of any proposed Disposition, to the Stockholders other than the Selling Stockholder (the "Tag Along Stockholders") to purchase a Proportionate Share of the shares held by each Tag Along Stockholder. The Sale Notice shall set forth: (i) the name of the Selling Stockholder and the number of Subject Shares proposed to be transferred, (ii) the name and address of the Proposed Purchaser, (iii) the proposed amount and form of consideration and terms and conditions of payment offered by such Proposed Purchaser and (iv) that the Proposed Purchaser has been informed of the tag along right provided for in this Section 10(b) and has agreed to purchase shares of Common Stock owned by any Tag Along Stockholder in accordance with the terms hereof. The tag along right may be exercised by any Tag Along Stockholder by delivery of a written notice to the Proposed Purchaser and Selling Stockholder (the "Tag Along Notice") within 30 days following its receipt of the Sale Notice. The Tag Along Notice shall state the amount of shares of Stock (the "Tag Along Shares") that such Tag Along Stockholder proposes to include in such transfer to the Proposed Purchaser. To the extent that a Tag Along Stockholder accepts such tag along offer, the number of shares of Common Stock to be sold to the Proposed Purchaser by the Selling Stockholder shall be reduced

to the extent necessary to comply with this Section 10(b). In the event that the Proposed Purchaser does not purchase all Tag Along Shares from the Tag Along

Stockholders on the same terms and conditions as specified in the Sale Notice, then the Selling Stockholder shall not be permitted to sell any Subject Shares to the Proposed Purchaser in the proposed transfer. The closing of any purchase from the Tag Along Stockholders shall occur contemporaneously with the purchase and sale of the Subject Shares (as adjusted hereunder) or at such other time as such Tag Along Stockholders and the Proposed Purchaser shall agree.

(c) In the event that (i) the total shares sought to be purchased by the Proposed Purchaser constitute 100% of the shares of Common Stock outstanding on the date of the Sale Notice, and (ii) a majority of the Company's Board of Directors approves such transaction, then each such Selling Stockholder shall have the right (the "Drag Along Right") beginning on the date that is the first day after such tag-along right has either expired or been rejected and ending 20 days thereafter, to request that each Stockholder sell all shares of Common Stock owned by such Stockholder to the Proposed Purchaser. All such sales shall be on the same terms and conditions as, and occur simultaneously with, the sale of shares to such Proposed Purchaser by such Selling Stockholder. If all Stockholders do not agree to sell their shares to the Proposed Purchaser, the Company shall use its reasonable best efforts to restructure the ownership of the Company and/or VGEI to enable the Selling Stockholder to sell its entire economic interest in the Etame Field Contract Area; provided however, if any amounts are owed under the IFC Loan the Selling Stockholder must either obtain the written consent of IFC for the proposed Disposition or cause VGEI to repay all amounts due under the IFC Loan.

(d) If the other Stockholders do not elect to purchase all Subject Shares, the Selling Stockholder shall, subject to Sections 10(b) and 10(c) hereof, be freed and discharged, except as herein stated, from all obligations under the terms of Section 10(a) provided that the Selling Stockholder sells the Subject Shares at 90% or more of the Offering Price and upon the terms stated in the Offering Notice, and only if such sale shall be completed within a period of 180 days from the date of delivery of the Offering Notice to the other Stockholders. If the Selling Stockholder does not complete the Disposition within such 180 day period, all the provisions of this Agreement, including the provisions of Section 10(a), shall apply to any future sale or offer for sale of such shares of Common Stock owned by the Selling Stockholder.

(e) If a Stockholder receives notice or otherwise becomes aware that its Common Stock may be the subject of an involuntary Disposition, such Stockholder shall notify the other Stockholders of such possible involuntary Disposition, and will cooperate with such other Stockholders to avoid such involuntary Disposition. Upon any involuntary Disposition of shares of a Stockholder's Common Stock, the Stockholder or its representative shall send notice thereof, disclosing in full to the Company and the other Stockholders the nature and details of such involuntary Disposition. The transferee of such shares shall not be entitled to any rights under this Agreement other than the right to receive dividends and distributions but shall have all obligations to make the advances to the Company set forth in Sections 5 and 6 of this Agreement.

(f) The transferee of any shares of a Stockholder's Common Stock pursuant to a Disposition shall be subject to and bound by the terms and conditions of this Agreement and each such transferee shall execute an Addendum Agreement in the form attached as Exhibit A.

11. Representations and Warranties of Stockholders. Each Stockholder hereby represents and warrants to the other Stockholders as follows:

(a) As of the date hereof, such Stockholder is the record and beneficial owner of the number of shares of Common Stock set forth in the Preliminary Statements to this Agreement.

(b) Such Stockholder, if not a natural person, is duly formed, validly existing and in good standing under the laws of the jurisdiction of its formation.

(c) Such Stockholder has full power and authority to execute, deliver, and perform this Agreement and to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by such Stockholder and constitutes a valid and legally binding obligation of such Stockholder, enforceable against such Stockholder in accordance with its terms.

(d) The execution, delivery, and performance by such Stockholder of this Agreement do not and will not (i) contravene or violate any provision of its charter or other governing documents, from time to time in effect, (ii) conflict with or result in a violation of any provision of, or constitute (with or without the giving of notice or the passage of time or both) a default under, or give rise (with or without the giving of notice or the passage of time or both) to any right of termination, cancellation, or acceleration under, any bond, debenture, note, mortgage, indenture, lease, contract, agreement, or other instrument or obligation to which such Stockholder is a party or by which such

Stockholder or any of its properties may be bound or (iii) violate any applicable law, rule or regulation binding upon such Stockholder.

(e) No consent, approval, order, or authorization of, or declaration, filing, or registration with, any court or governmental agency or of any third party which has not been received is required to be obtained or made by such Stockholder in connection with the execution, delivery, or performance by such Stockholder of this Agreement.

12. Survival of Provisions. All representations, warranties and covenants made by each party hereto in this Agreement or any other document contemplated hereby shall be considered to have been relied upon by the other Parties hereto and shall survive the execution and delivery of this Agreement or such other document, regardless of any investigation made by or on behalf of any such Party.

13. Entire Agreement. This Agreement and the other documents contemplated hereunder contain the entire understanding of the parties hereto with respect to the subject matter hereof. Neither the Company nor any Stockholder shall be a party to any agreement regarding the voting or Disposition of capital stock of the Company, as such, unless the Company and all such Stockholders are also parties to that agreement, except with the written consent of the Company and all such Stockholders who are not parties to such an agreement. To the extent that the terms of this Agreement conflict with, or shall require the Company, VGEI or a stockholder to take an action which would or could with the passage of time result in a default under, the terms of the IFC Loan, Stockholders shall only take such actions, and shall use reasonable best efforts to cause the Company and VGEI to take such actions, as do not conflict with or cause a default under, the IFC Loan.

14. Amendments. This Agreement may be amended, modified, supplemented, restated or discharged only by unanimous agreement of the Stockholders.

15. Notices. All notices and other communications required under this Agreement shall (i) be in writing; (ii) shall be addressed to the Parties as indicated below unless modified in writing of a change in address pursuant to the methods described in this Section 15; and (iii) shall be deemed to have been given either when personally delivered or if sent by recognized overnight courier service, the next business day, or if sent by mail (in which event it shall be sent postage prepaid), upon delivery thereof, or, if sent by telegram, telex, or facsimile upon delivery thereof (if such delivery is promptly confirmed in writing). The addresses of the Parties are as follows:

If to VEI to:

VAALCO Energy, Inc.
4600 Post Oak Place, Suite 309
Houston, Texas 77027
Attention: President
Facsimile No.: 713-623-0982

If to NIC to:
Nissho Iwai Corporation
3-1, Daiba 2-chome, Minato-ku, Tokyo 135-8655 JAPAN
Attention: Shinichi Teranishi General Manager, Energy Project Department,
Facsimile No.: 81-3-5520-2964

If to the Company to:
VAALCO International, Inc.
4600 Post Oak Place, Suite 309
Houston, Texas 77027
Attention: President
Facsimile No.: 713-623-0982

16. Termination. This Agreement shall terminate upon: the written consent of each of the Stockholders. The commitment of any Stockholder to make any advance or loan to the Company hereunder pursuant to Sections 5, 6 or 7 or otherwise shall terminate upon the occurrence of the earlier of (i) the adjudication of the Company as bankrupt or insolvent by a court of competent jurisdiction, (ii) the liquidation or dissolution of the Company, (iii) the merger of the Company, other than a merger into a wholly owned subsidiary, in which the Company is not the surviving corporation, (iv) the consolidation of the Company with one or more other corporations, or (v) a public offering of the Common Stock pursuant to a registration statement under the Securities Act of 1933, as amended. The rights of a particular Stockholder under this Agreement, other than the right to receive payment for his shares, shall terminate immediately upon such Stockholder ceasing to be a holder of Common Stock other than rights to be repaid pursuant to sections 5, 6, or 7 hereof, or note contemplated hereunder.

17. Power of Attorney. For the purpose of executing an Addendum Agreement, all the Stockholders hereby appoint the Company as their agent and attorney to execute such Addendum

Agreement on their behalf and expressly bind themselves to the Addendum Agreement by the Company's execution of that Agreement without further action on their part.

18. Waiver. Each Party may only waive any right it may have pursuant to this Agreement in writing and subject to the notice provisions hereof. Any waiver of a right, including any right under this Agreement, by any Party shall not constitute a waiver of any other right by such Party. Failure or delay by any Party to enforce any term or condition of this Agreement shall not constitute a wavier of such term or condition.

19. Choice of Law. This Agreement shall be governed by the Delaware General Corporate Law with respect to corporate law matters and for all other matters the internal laws of the State of New York, notwithstanding regard to principles of conflicts of law.

20. Successors and Assigns. This Agreement shall be binding on and inure to the benefit of the Parties hereto and their respective successors and permitted assigns.

21. Legends. The certificate or certificates representing the Common Stock now owned or hereafter acquired by the Stockholders shall have conspicuously stamped, printed, or typed on the face or back thereof a legend substantially in the following form:

> "THE SECURITIES REPRESENTED HEREBY ARE SUBJECT TO THAT CERTAIN STOCKHOLDERS' AGREEMENT, DATED AS OF AUGUST ___, 2002, BY AND AMONG THE COMPANY AND CERTAIN STOCKHOLDERS OF THE COMPANY AS AMENDED, MODIFIED OR OTHERWISE SUPPLEMENTED FROM TIME TO TIME. A COPY OF SUCH STOCKHOLDERS' AGREEMENT WILL BE FURNISHED BY THE COMPANY TO THE HOLDER HEREOF WITHOUT CHARGE UPON WRITTEN REQUEST TO THE COMPANY AT ITS PRINCIPAL PLACE OF BUSINESS OR REGISTERED OFFICE."

22. Specific Performance. Each of the Parties hereto recognizes that any breach of the terms of this Agreement may give rise to irreparable harm for which money damages would not be an adequate remedy, and accordingly agree that, in addition to other remedies, any nonbreaching Party shall be entitled to enforce the terms of this Agreement by a decree of specific performance without the necessity of proving the inadequacy as a remedy of money damages.

23. Counterparts. This Agreement may be executed in multiple counterparts, with each such counterpart constituting an original and all of such counterparts constituting but one and the same agreement. Execution and delivery of this Agreement by exchange of facsimile copies bearing the facsimile signature of a Party hereto shall constitute a valid and binding execution and delivery of this Agreement by such Party. Such facsimile copies shall constitute enforceable original documents.

24. Jurisdiction. Any legal action or proceeding relating to this Agreement shall be instituted in a state or federal court located in New York, NY. The Parties agree to submit to the jurisdiction of, and agree that venue is proper in, these courts in any such legal action or proceeding.

IN WITNESS WHEREOF, this Stockholders' Agreement has been executed as of the date above first written.

VAALCO International, Inc.

By: ---

Name: ---

Title: ---

Nissho Iwai Corporation

By: ---

Name:

Title:

VAALCO Energy, Inc.

By:

Name:

Title:

EXHIBIT A

ADDENDUM AGREEMENT

Addendum Agreement made this ____ day of _____, _____, by and between _____ (the "New Stockholder") and VAALCO International, Inc., a Delaware corporation (the "Company"), and the other stockholders (the "Stockholders") of the Company, who are parties to that certain Stockholders' Agreement dated August __, 2002 (the "Agreement"), between the Company and the Stockholders.

W I T N E S E T H:

WHEREAS, the Company and the Stockholders entered into the Agreement to impose certain restrictions and obligations upon themselves and the shares of Common Stock, $0.001 par value, of the Company held by them (the "Shares");

WHEREAS, the New Stockholder is desirous of becoming a stockholder of the Company; and

WHEREAS, the Company and the Stockholders have required in the Agreement that in certain circumstances certain persons being offered Shares must enter into an Addendum Agreement binding the New Stockholder to the Agreement to the same extent as if it was an original party thereto, so as to promote the mutual interests of the Company, the Stockholders and the New Stockholder by imposing the same restrictions and obligations on the New Stockholder and the shares of Common Stock to be acquired by it as were imposed upon the Stockholders under the Agreement;

NOW, THEREFORE, in consideration of the mutual promises of the parties, and as a condition of the purchase of the shares of Common Stock in the Company, the New Stockholder acknowledges that it has read the Agreement. The New Stockholder shall be bound by, and shall have the benefit of, all the terms and conditions set out in the Agreement to the same extent as if it was a "Stockholder" as defined in the Agreement. This Addendum Agreement shall be attached to and become a part of the Agreement.

New Stockholder

By

Address for notices under
Section 15 of Agreement:

EXHIBIT B

THIS NOTE IS SUBJECT TO THE TERMS AND CONDITIONS OF THAT CERTAIN STOCKHOLDERS' AGREEMENT, DATED AS OF AUGUST___, 2002, BY AND AMONG THE MAKER AND CERTAIN STOCKHOLDERS OF THE MAKER, AS AMENDED, MODIFIED OR OTHERWISE SUPPLEMENTED FROM TIME TO TIME. A COPY OF SUCH STOCKHOLDERS' AGREEMENT WILL BE FURNISHED BY THE MAKER TO THE HOLDER HEREOF WITHOUT CHARGE UPON WRITTEN REQUEST TO THE MAKER AT ITS PRINCIPAL PLACE OF BUSINESS OR REGISTERED OFFICE.

REVOLVING NOTE

$_____.00 New York, NY August , 2002

FOR VALUE RECEIVED, the undersigned, VAALCO International, Inc. ("Maker"), hereby unconditionally promises to pay to the order of ("Payee"), at , or such other address given to Maker by Payee at the times set forth herein but in no event later than the Extended Maturity Date, the principal sum of ($_____.00), or so much thereof as may be advanced from time to time by Payee hereunder prior to maturity, in lawful money of the United States of America, together with interest (calculated on the basis of a 365-day or 366-day year, as appropriate) on the unpaid principal balance from day-to-day remaining and any other amounts due and payable hereunder, computed, in the case of principal, from the date of advance until maturity, and in the case of any other amount, from the date due until repaid in full at the rate per annum which shall from day-to-day be equal to the Interest Rate.

1. Definitions. Capitalized terms not defined herein shall have the meaning assigned to those terms in the Stockholders' Agreement defined below. When used in this Note, the following terms shall have the respective meanings specified herein or in the Section referred to:

(a) Base Rate means for any day a fluctuating rate per annum equal to the higher of (i) the Federal Funds Rate plus one-half of one percent (0.5%), and (ii) the rate of interest in effect for such day as publicly announced from time to time by Citibank, N.A. as its "prime rate." Such rate is a rate set by Citibank, N.A. based upon various factors including costs and desired return, general economic conditions, and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such rate announced by Citibank, N.A. shall take effect at the opening of business on the day specified in the public announcement of such change.

(b) Business Day means for all purposes, any day other than Saturday, Sunday, and any other day on which commercial banking institutions are required or authorized

by any applicable law to be closed at the place of Payee's office stated above and in New York, New York.

(c) Default has the meaning ascribed to it in Section 7 hereof.

(d) Extended Maturity Date means the fifth anniversary of the Maturity Date.

(e) Federal Funds Rate means, for any day, the rate per annum (rounded upwards to the nearest 1/100 of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank on the Business Day next succeeding such day; provided that (i) if such day is not a Business Day, then the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (ii) if no such rate is so published on such next succeeding Business Day, then the Federal Funds Rate for such day shall be the average rate charged to Citibank, N.A. on such day on such transactions.

(f) Interest Rate means if a Default shall exist, the lesser of (a) the Maximum Rate and (b) the sum of (i) the Base Rate plus (ii) four percent (4%) and if no Default shall exist, subject to Section 2(c) hereof, the lesser of (a) the Maximum Rate and (b) the sum of (i) the Base Rate plus (ii) two percent (2%).

(g) Maturity Date means the twentieth (20th) anniversary of the date hereof.

(h) Maximum Rate means, for any day a rate per annum equal to 18%.

(i) Obligation means all indebtedness, liabilities, and obligations, of every kind and character, of Maker, now or hereafter existing in favor of Payee, arising under this Note.

(j) Stockholders' Agreement means that certain Stockholders' Agreement dated August , 2002, between Maker, and Payee, including any related instruments, and agreements executed in connection therewith, in each case as the same may be renewed, extended, amended, supplemented, restructured, restated, refunded, replaced, or refinanced from time to time on one or more

occasions.

2. Payment. The principal hereof advanced and from time to time remaining unpaid and interest upon this Note shall be due and payable, as follows:

(a) Principal together with accrued interest thereon, shall be paid on the last Business Day of each of the Maker's fiscal quarters in an amount equal to [9.99][90.01] % of the Amounts Attributable to Consent Operations on such date, less reasonable reserves, commencing on August , 2002, with a final payment of all unpaid principal and interest thereon on the "Maturity Date" of August , 2022. All payments received hereunder shall be

applied first to the payment of accrued but unpaid costs or other expenses constituting Obligation, second to interest due and payable with the balance applied to principal. This Note is non-recourse to the Company, payable solely as described in this Section 2.

(b) Should the principal of, or any installment of the accrued but unpaid costs or other expenses constituting the Obligation, or interest upon, this Note become due and payable on any day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day, and interest shall be payable with respect to such extension.

(c) All past due principal of and, to the extent permitted by applicable law, interest upon this Note shall bear interest at the Maximum Rate.

(d) Until the Maturity Date, the undersigned may borrow, pay, prepay in whole or in part and reborrow hereunder, so long as not more than $_____ of principal is outstanding at any one time, it being understood that this Note is a revolving credit note; it being expressly contemplated that, by reason of prepayments hereon, there may be times when no indebtedness is owing hereunder, but, notwithstanding such occurrences, this note shall remain valid and shall be in full force and effect as to loans or advances made subsequent to such occurrences; and it being understood and agreed that advances and repayments of principal under this Note are not limited to the face amount of principal, but to a maximum of the face amount of principal at any one time outstanding. Payee may advance funds pursuant to this note from time to time, and from time to time the undersigned will make repayments on the principal of this Note, so that no more than the face amount of principal shall be outstanding at any one time. Each advance and each payment of principal hereunder shall be reflected by a notation made by Payee in its business records. The aggregate unpaid principal amount of advances, the accrual and capitalization of interest hereon, the amount of any other Obligation outstanding and the repayment thereof, in each case reflected by the notations made in Payee's business records shall be prima facie evidence absent manifest error of the amount of Obligation owing under this Note, which amount the undersigned unconditionally promises to pay to the order of Payee under the terms hereof.

(e) Notwithstanding anything to the contrary set forth herein, if the Payee becomes a party in Default as defined in the Stockholders' Agreement, no amounts shall be payable to Payee under this Note until such time as Payee cures such default as provided in the Stockholders' Agreement. Amounts otherwise payable to Payee shall be used to repay any Default Loan as provided in the Stockholders' Agreement, or if all such Default Loans have been repaid, such amounts shall be retained by the Company.

3. Extension. Notwithstanding anything to the contrary contained herein, so long as no Default has occurred under this Note, and no Default has occurred under any document evidencing or securing this Note, and no event has occurred which could, with the giving of notice or the passage of time, or both, constitute such a Default, Payee shall, at Maker's request, exercised by delivery to Payee, on or before a date more than thirty (30) days, but not more than

ninety (90) days, prior to the Maturity Date of an extension request to, extend the maturity date of this Note to the Extended Maturity Date.

4. Rights Under Stockholder Agreement. This Note has been executed and delivered pursuant to, and is subject to certain terms and conditions set forth in the Stockholders' Agreement and is one of the "Initial Revolving Notes" referred to therein. The Holder of this Note shall be entitled to the benefits provided in the Stockholders' Agreement. Reference is made to the Stockholders' Agreement for a statement of (a) the obligation of Payee to advance funds hereunder and (b) Maker's right to prepay this Note.

5. Waivers. Maker and each surety, endorser, guarantor, and other party ever liable for payment of any sums of money payable upon this Note, jointly and

severally waive presentment, demand, protest, notice of protest and non-payment or other notice of default, notice of acceleration, and intention to accelerate, or other notice of any kind, and agree that their liability under this Note shall not be affected by any renewal or extension in the time of payment hereof, or in any indulgences, or by any release or change in any security for the payment of this Note, and hereby consent to any and all renewals, extensions, indulgences, releases, or changes, regardless of the number of such renewals, extensions, indulgences, releases, or changes.

No waiver by Payee of any of its rights or remedies hereunder or under any other document evidencing or securing this Note or otherwise, shall be considered a waiver of any other subsequent right or remedy of Payee; no delay or omission in the exercise or enforcement by Payee of any rights or remedies shall ever be construed as a waiver of any right or remedy of Payee; and no single or partial exercise or enforcement of any such rights or remedies shall ever be held to exhaust any right or remedy of Payee. The remedies provided for herein are cumulative and are not exclusive of any remedies that may be available to the Payee at law, in equity or otherwise.

6. Default and Remedies.

(a) A "Default" shall exist hereunder if any one or more of the following events shall occur and be continuing: (i) Maker shall fail to pay when due any principal of, or interest upon, this Note or the Obligation and such failure shall continue for sixty (60) days following the date Payee notifies Maker of such failure; (ii) default shall occur in the performance of any of the covenants or agreements of Maker contained herein, in any other document executed or delivered to Payee in connection herewith and such default shall continue [for sixty (60) days following the date Payee notifies Maker of such default];(iii) an order, judgment or decree shall be entered by any court of competent jurisdiction or other competent authority finding that either the Production Sharing Contract or the Joint Operating Agreement (A) ceases to be a legal, valid, binding agreement enforceable against any party executing the same in accordance with the respective terms thereof, (B) are ineffective or inoperative or (C) in any way whatsoever cease to give or provide the respective liens, security interests, rights,

titles, interests, remedies, powers or privileges intended to be created thereby; (iv) Maker shall (A) apply for or consent to the appointment of a receiver, trustee, intervenor, custodian or liquidator of itself or of all or a substantial part of its assets, (B) be adjudicated a bankrupt or insolvent or file a voluntary petition for bankruptcy or admit in writing that it is unable to pay its debts as they become due, (C) make a general assignment for the benefit of creditors, (D) file a petition or answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy or insolvency laws, or (E) file an answer admitting the material allegations of, or consent to, or default in answering, a petition filed against it in any bankruptcy, reorganization or insolvency proceeding, or take corporate action for the purpose of effecting any of the foregoing; (v) an order, judgment or decree shall be entered by any court of competent jurisdiction or other competent authority approving a petition seeking reorganization of Maker or appointing a receiver, trustee, intervenor or liquidator of any such person, or of all or substantially all of its or their assets, and such order, judgment or decree shall continue unstayed and in effect for a period of sixty (60) days; (vi) Payee's liens, mortgages or security interests in any of the collateral for this Note, if any, should become unenforceable, or cease to be liens, mortgages or security interests of the priority purported to be granted thereby; or (vii) the dissolution or termination of Maker.

(b) If Maker fails or refuses to pay any part of the principal of or interest upon this Note or any Obligation as the same become due, or upon the occurrence of any Default hereunder or under any other agreement or instrument securing or assuring the payment of this Note or executed in connection herewith, then in any such event the holder hereof may, at its option, (i) terminate Payee's commitment to make advances hereunder, (ii) declare the entire unpaid balance of the Obligations to be immediately due and payable without presentment or notice of any kind which Maker waives pursuant to Section 5 herein, (iii) reduce any claim to judgment, and/or (iv) pursue and enforce any of Payee's rights and remedies available pursuant to any applicable law or agreement including, without limitation, foreclosing all liens and security interests securing payment thereof or any part thereof; provided, however, in the case of any Default specified in (iv), (v) or (vii) of Section (a) above without any notice to Maker or any other act by Payee, Maker's right to request advances under this Note shall thereupon terminate and the Obligations shall become immediately due and payable without presentment, demand, protest, or other notice of any kind, all of which are hereby waived by Maker.

7. Voluntary Prepayment. Maker reserves the right to prepay the outstanding principal balance of this Note, in whole or in part, at any time and from time to time, without premium or penalty. Any such prepayment shall be made together with payment of interest accrued on the amount of principal being prepaid through the date of such prepayment, and shall be applied to the installments of

principal due hereunder in the inverse order of maturity.

8. Usury Laws. Regardless of any provisions contained in this Note, the Payee shall never be deemed to have contracted for or be entitled to receive, collect, or apply as interest on the Note, any amount in excess of the Maximum Rate, and, in the event Payee ever receives, collects, or applies as interest any such excess, such amount which would be excessive interest

shall be applied to the reduction of the unpaid principal balance of this Note, and, if the principal balance of this Note is paid in full, then any remaining excess shall forthwith be paid to Maker. In determining whether or not the interest paid or payable under any specific contingency exceeds the highest lawful rate, Maker and Payee shall, to the maximum extent permitted under applicable law, (a) characterize any non-principal payment (other than payments which are expressly designated as interest payments hereunder) as an expense, fee, or premium, rather than as interest, (b) exclude voluntary prepayments and the effect thereof, and (c) spread the total amount of interest throughout the entire contemplated term of this Note so that the interest rate is uniform throughout such term.

9. Costs. The loan evidenced by this Note shall be closed without expense to Payee, it being understood and agreed that all expenses necessary and usual to a transaction of this kind shall be paid by Maker on demand, such costs and expenses to include but not to be limited to: reasonable attorneys' fees arising in connection with the negotiation and preparation of this Note and all documents to be executed in connection with this Note. If this Note is placed in the hands of an attorney for collection, or if it is collected through any legal proceeding at law or in equity, or in bankruptcy, receivership or other court proceedings, Maker agrees to pay on demand all costs of collection, including, but not limited to, court costs and reasonable attorneys' fees, including all costs of appeal.

10. GOVERNING LAW; JURISDICTION. THIS INSTRUMENT AND ALL ISSUES AND CLAIMS ARISING IN CONNECTION WITH OR RELATING TO THE INDEBTEDNESS EVIDENCED HEREBY, INCLUDING BUT WITHOUT LIMITATION, ALL CONTRACT, TORT, EQUITY, OR OTHER CLAIMS OR COUNTERCLAIMS AND ALL QUESTIONS INVOLVING USURY AND THE MAXIMUM RATE OF INTEREST WHICH MAY BE CONTRACTED FOR, CHARGED, OR RECEIVED SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK AND THE APPLICABLE LAWS OF THE UNITED STATES OF AMERICA. IN ANY LITIGATION IN CONNECTION WITH OR TO ENFORCE THIS NOTE MAKER AND PAYEE IRREVOCABLY CONSENT TO AND CONFER PERSONAL JURISDICTION ON THE COURTS OF THE STATE OF NEW YORK OR THE UNITED STATES COURTS LOCATED WITHIN THE STATE OF NEW YORK.

11. JURY TRIAL. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, MAKER AND PAYEE HEREBY IRREVOCABLY AND EXPRESSLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM (WHETHER BASED UPON CONTRACT, TORT, OR OTHERWISE) ARISING OUT OF OR RELATING TO ANY OF THIS NOTE, THE STOCKHOLDER'S AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, OR THE ACTIONS OF PAYEE AND MAKER IN THE NEGOTIATION, ADMINISTRATION, OR ENFORCEMENT THEREOF. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN

KNOWINGLY AND VOLUNTARILY BY MAKER AND PAYEE, AND IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH THE RIGHT TO A TRIAL BY JURY WOULD OTHERWISE ACCRUE. EACH OF PAYEE AND MAKER IS HEREBY AUTHORIZED TO FILE A COPY OF THIS PARAGRAPH IN ANY PROCEEDING AS A CONCLUSIVE EVIDENCE OF THIS WAIVER BY MAKER.

12. ENTIRETY. THE PROVISIONS OF THIS NOTE MAY BE AMENDED, REVISED OR WAIVED ONLY BY AN INSTRUMENT IN WRITING SIGNED BY MAKER AND PAYEE. ANY SUCH WAIVER OR AMENDMENT SHALL BE EFFECTIVE ONLY IN THE SPECIFIC INSTANCE MADE OR GIVEN. THIS NOTE AND THE STOCKHOLDERS' AGREEMENT EMBODY THE FINAL, ENTIRE AGREEMENT OF MAKER AND PAYEE AND SUPERSEDE ANY AND ALL PRIOR COMMITMENTS, AGREEMENTS, REPRESENTATIONS, AND UNDERSTANDINGS, WHETHER WRITTEN OR ORAL, RELATING TO THE SUBJECT MATTER HEREOF AND THEREOF AND MAY NOT BE CONTRADICTED OR VARIED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OR DISCUSSIONS OF MAKER AND PAYEE. THERE ARE NO ORAL AGREEMENTS BETWEEN MAKER AND PAYEE.

13. If any one or more of the provisions contained herein, or the applications thereof in any circumstance, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any other provisions hereof shall not be in any way impaired, unless the provisions held invalid, illegal or unenforceable shall substantially impair the benefits of the remaining provisions hereof.

14. This note shall be binding and inure to the benefit of the parties and their respective successors and permitted assigns; however, no assignment or other transfer of the Maker's rights or obligations hereunder shall be made or be effective without the Payee's prior written consent nor shall it relieve the Maker of any Obligations hereunder.

[Remainder of Page Intentionally Left Blank;

Signature Page Follows.]

MAKER:

VAALCO INTERNATIONAL, INC.

By: _____

Name: _____

Title: _____

EXHIBIT C

Approved Budget

EXHIBIT 10.3

SUBSCRIPTION AGREEMENT

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

Ladies and Gentlemen:

This subscription agreement (this "Agreement") is intended to set forth certain agreements of the undersigned (the "Stockholder") and VAALCO International, Inc., a Delaware corporation (the "Company"), with respect to the offering for sale by the Company of shares of common stock, par value $.001 per share (the "Common Stock").

1. Subscription. Subject to the terms and conditions hereof, the Stockholder, hereby irrevocably subscribes for and agrees to purchase 10,000 shares of Common Stock (collectively, the "Shares") for the sum of $3,291,315 in cash on or before December 31, 2002.

2. Acceptance of Subscription: Delivery of Shares. The Stockholder understands and agrees that this subscription is made subject to the following terms and conditions:

(a) The subscription for the Shares shall be deemed to be accepted only when this Subscription Agreement has been accepted in writing by the Company;

(b) The Shares to be issued and delivered on account of this subscription will be issued in the name of, and delivered to, the Stockholder or its assignee, and the Stockholder agrees to comply with the terms of this Agreement; and

3. Miscellaneous.

(a) This Agreement shall be governed by and construed in accordance with the laws of Texas, notwithstanding principles of conflicts of laws.

(b) This Agreement constitutes the entire agreement among the parties hereto with respect to the subject matter hereof, and may be amended only by a writing executed by all parties hereto.

(c) This Agreement and the terms and conditions contained herein shall be binding upon the heirs, executors, legal representatives, administrators, successors and permitted assigns of the Stockholder. The rights, interests or obligations of the Stockholder under this Agreement may be assigned or otherwise transferred with the prior written consent of the Company.

IN WITNESS WHEREOF, the undersigned has executed this Agreement as of , 2002.
- ---------- ---

VAALCO ENERGY, INC.

The Company hereby accepts the foregoing subscription subject to the terms and conditions hereof as of , 2002.
---------- ---

VAALCO INTERNATIONAL, INC.

By: ---
Name: ---
Title: ---

EXHIBIT 10.4

AMENDED & RESTATED REGISTRATION RIGHTS AGREEMENT

by and among

VAALCO ENERGY, INC.,

NISSHO IWAI CORPORATION

and

THE 1818 FUND II, L.P.

Dated as of August 23, 2002

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AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT (this "Agreement"), dated as of August 23, 2002, by and among VAALCO ENERGY, INC., a Delaware corporation (the "Company"), THE 1818 FUND II, L.P., a Delaware limited partnership (the "Fund"), and NISSHO IWAI CORPORATION, a corporation organized under the laws of Japan ("NIC" and together with the Fund, the "Purchasers").

1. Background. Pursuant to a Stock Acquisition Agreement and Plan of Reorganization, dated February 17, 1998 (the "Purchase Agreement"), among the Company, the Fund and 1818 Oil Corp., a Delaware corporation, the Fund agreed to purchase from the Company, and the Company agreed to issue to the Fund (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.

Pursuant to a Subordinated Credit Agreement, dated as of June 10, 2002, as amended, by and among the Company and the Fund (the "Credit Agreement"), the Fund received warrants to purchase shares of Common Stock and pursuant to a Stock Purchase Agreement, dated as of August 23, 2002, by and among the Company, NIC and Vaalco International, Inc., a Delaware corporation (the "Stock Purchase Agreement"), NIC received warrants to purchase shares of Common Stock (collectively, the "Warrants").

The Company and 1818 wish to amend and restate this Agreement so that (i) the shares of Common Stock issuable upon exercise of the Warrants are covered by this Agreement, (ii) NIC becomes a party to this Agreement and (iii) certain other changes agreed to by the parties hereto are reflected in the Agreement. Accordingly, the parties hereby amend and restate the Registration Rights Agreement, dated April 21, 1998 between the Company and 1818 Fund (the "1998 Agreement") with this Agreement superseding the 1998 Agreement in its entirety.

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 5% of the Registrable Securities 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 four 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 or exercise of any Warrants or other warrants issued under

the Credit Agreement, 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 satisfactory 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 settlement 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.

"Credit Agreement" has the meaning set forth in Section 1.

"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.

"Registrable Securities" means any shares of Common Stock issued or issuable upon conversion of the Preferred Stock, any shares of Common Stock issued or issuable upon exercise of any Warrants, or any warrants issued under the Credit Agreement, any Related Registrable Securities and any shares of Common Stock owned by any of the Purchasers. 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 or exercise of the Preferred Stock, the Warrants or any other warrants issued under the Credit Agreement) 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, Warrants, or such other warrants 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.

"Stock Purchase Agreement" has the meaning set forth in Section 1.

"Warrants" has the meaning set forth in Section 1.

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 Fund:

The 1818 Fund II, L.P.
59 Wall Street
New York, NY 10005-2818
Attention: Walter Grist

with a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison
1285 Avenue of the Americas
New York, NY 10019-3027
Telecopy: (212) 757-3990
Attention: Marilyn Sobel

(b) if to NIC:

Nissho Iwai Corporation
3-1, Daiba 2-chome,
Minato-ku, Tokyo 135-8655
JAPAN
Telecopy: 81-3-5520-2964
Attention: Shinichi Teranishi,
General Manager, Energy Project
Department

(c) 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

(d) if to the Company:

VAALCO Energy, Inc.
4600 Post Oak Place, Suite 309
Houston, TX 77027-0130
Attention: Russell Scheirman

with a copy to:

Haynes and Boone, LLP
1000 Louisiana, Suite 4300
Houston, TX 77002
Telecopy: (713) 547-2600
Attention: Guy Young

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 and the exercise of all Warrants and any other warrants issued under the Credit Agreement.

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 Purchasers 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 is 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. There are no restrictions, promises, warranties or undertakings with respect to the subject matter contained herein, other than those set forth or referred to herein. This Agreement supersedes 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:

Name: Russell Scheirman
Title: President

THE 1818 FUND II, L.P.

By: Brown Brothers Harriman & Co.,
its General Partner

By:

Name: Walter W. Grist
Partner: Managing Director

NISSHO IWAI CORPORATION

By:

Name:
Title:

EXHIBIT 10.5

==========

AMENDED AND RESTATED
SUBORDINATED CREDIT AGREEMENT

Between

VAALCO ENERGY, INC., as Borrower

And

1818 FUND II, L.P., as Agent
and the Lenders from
time to time party hereto

Dated as of August , 2002 originally
--
dated as of June 10, 2002

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EXECUTION COPY

AMENDED AND RESTATED SUBORDINATED CREDIT AGREEMENT

THIS AMENDED AND RESTATED SUBORDINATED CREDIT AGREEMENT (this "Agreement") is entered into as of August , 2002 by and among VAALCO ENERGY, INC., a Delaware corporation ("Borrower"), and 1818 FUND II, L.P., a Delaware limited partnership, as Agent for itself and each other lender ("Agent") and the

1818 FUND II, L.P., a Delaware limited partnership, and NISSHO IWAI CORPORATION, a corporation organized under the laws of Japan ("NIC"), as lenders (collectively, with any other lending institution which becomes party hereto pursuant to Section 7.04, the "Lenders").

RECITALS

WHEREAS, VAALCO GABON (ETAME), INC. ("VGEI") and International Finance Corporation ("IFC") entered into that certain Loan Agreement dated April 19, 2002 (as amended, supplemented or otherwise modified from time to time, the "IFC Loan Agreement"), for the purpose of financing the Project (all capitalized terms not defined in the body of this Agreement are defined under Appendix A hereto).

WHEREAS, as a condition precedent to funding under the IFC Loan Agreement, IFC has required an escrow account (the "Sponsor Escrow Account") be established pursuant to that certain Escrow Account Agreement between Borrower, IFC and JPMorgan/Chase Bank, London Branch ("Escrow Account Bank") originally dated as of May 31, 2002 (as amended, supplemented or otherwise modified from time to time, the "Sponsor Escrow Agreement") in which Borrower maintains certain required balances up to $10,000,000 as security for the obligations of Borrower to IFC under the Guarantee Agreement dated on or about the date of the IFC Loan Agreement between Borrower and IFC.

WHEREAS, Borrower requested that 1818 Fund II, L.P. (in its capacity as the original lender, the "Original Lender") extend it credit for the purpose of funding the Sponsor Escrow Account and Original Lender agreed to provide such credit to Borrower pursuant to a Subordinated Credit Agreement dated as of June 10, 2002 between Borrower and the Original Lender (the "Original Credit Agreement");

WHEREAS, the parties hereto desire to amend and restate the Original Credit Agreement, among other things, to allow NIC to become a Lender, to establish an agent for the Lenders hereunder, to provide the Borrower with an additional tranche of loans, and to permit the Borrower to transfer all the equity interests held by it in VGEI to VAALCO INTERNATIONAL, INC., a Delaware corporation and wholly owned subsidiary of the Borrower ("VII");

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Lenders, the Agent and Borrower hereby agree that the Original Credit Agreement shall be amended and restated to read in its entirety as follows:

ARTICLE I

CREDIT TERMS

1.01 Line of Credit Loan.

(a) Tranche A Loans. Subject to the terms and conditions of this Agreement until January 31, 2003, each Lender hereby agrees severally and not jointly to make one or more loans (each such advance a "Tranche A Loan" and collectively the "Tranche A Loans") to Borrower in an aggregate principal amount not to exceed such Lender's Tranche A Commitment; provided, however, that the maximum aggregate principal amount of all Tranche A Loans outstanding shall not at any time exceed Ten Million Dollars ($10,000,000) (the "Aggregate Tranche A Commitment"). The proceeds of such Tranche A Loans shall be funded directly into and held in the Sponsor Escrow Account pursuant to the Sponsor Escrow Agreement. After the earlier of (i) Phase One Completion Date and (ii) January 31, 2003, the Lenders shall have no obligation to make any additional Tranche A Loans to Borrower.

(b) Tranche B Loans. Subject to the terms and conditions of this Agreement, from April 1, 2003 until April 30, 2003, each Lender hereby agrees severally and not jointly to make one or more loans (each such advance a "Tranche B Loan" and collectively the "Tranche B Loans") to Borrower in an aggregate principal amount not to exceed such Lender's Tranche B Commitment; provided, however, that the maximum aggregate principal amount of all Loans outstanding shall not at any time exceed Three Million Dollars ($3,000,000) (the "Aggregate Tranche B Commitment"). The proceeds of such Tranche B Loans shall be funded to the order of the Borrower. After April 30, 2003, the Lenders shall have no obligation to make any additional Tranche B Loans to Borrower.

(c) Borrower's obligation to repay the Loans shall be evidenced by one or more promissory notes substantially in the form of Exhibit A attached hereto (as same may be amended, renewed, assigned in whole or in part, collectively, the "Notes"), all terms of which are incorporated herein by this reference.

(d) Repayment. Principal and interest on the Loans shall be repaid in accordance with the provisions of the applicable Note, the terms of which are incorporated herein by reference.

(e) Mandatory Prepayment. Principal outstanding under the Loans

is subject to mandatory prepayment in accordance with provisions of the applicable Note, the terms of which are incorporated herein by reference.

(f) Lender Accounts. Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Agreement. The Agent shall maintain accounts in which it

will record (i) the amount of each Loan made hereunder, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Agent hereunder from the Borrower or any guarantor and each Lender's share thereof. The entries made in the accounts maintained pursuant to this Subsection 1.01(f) shall be prima facie evidence of the existence and amounts of the obligations therein recorded, absent manifest error; provided, however, that the failure of any Lender or the Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms hereunder .

1.02 Interest/Fees.

(a) Interest. The outstanding principal balance of the Loans shall bear interest at the rate of interest and on the dates set forth in the Note and this Agreement.

(b) Original Lender Warrants. On June 10, 2002, in consideration of the commitment of the Original Lender to make the loans contemplated by the Original Credit Agreement, the Borrower issued two Warrants to the Original Lender (each, an "Original Lender Warrant"). On May 1, 2003, the number of shares of the Borrower's Common Stock subject to each Original Lender Warrant as of such date shall be adjusted by multiplying such number of shares by a fraction, (i) the numerator of which shall be the aggregate principal amount of Loans made to the Borrower by the Original Lender hereunder during the period commencing on June 10, 2002 and ending on April 30, 2003 and (ii) the denominator of which shall be $10,000,000, such amount being the total Commitment of the Original Lender under the Original Credit Agreement.

(c) Additional Warrants. If all principal, interest and other amounts under the Tranche A Loans evidenced by the Note have not been paid in full and each Lender's obligation to make Tranche A Loans has not been terminated on or prior to June 10, 2004 ("Anniversary Date"), Borrower shall issue to each Lender with an outstanding Tranche A Loan, a warrant (each, an "Additional Warrant") to purchase its Pro Rata Percentage of the Additional Shares. The "Additional Shares" shall equal that number of shares of Borrower's Common Stock equal to 7,500,000 multiplied by a fraction, the numerator of which shall be the principal amount of all Tranche A Loans outstanding on such Anniversary Date and the denominator of which shall be $10.0 million. The number of Additional Shares or shares subject to each Additional Warrant, as applicable, shall be subject to appropriate adjustment if any of the events described in Sections 5.1, 5.2, 5.3, 5.5 and 5.9 of the warrant attached as Exhibit B-1 occurs prior to such Anniversary Date. The exercise price of each Additional Warrant shall be $0.10 per share. Each Additional Warrant shall expire seven years following the date of issuance. Each Additional Warrant shall be substantially identical to the warrant attached as Exhibit B-1 (except that the antidilution adjustments will be appropriately modified so as to adjust the number of shares only and the number of shares subject to each Additional Warrant shall be reduced as set forth in Sections 5.1, 5.2, 5.3, 5.5 and 5.9 of the warrant attached as Exhibit B-1).

1.03 Payments.

(a) Notwithstanding anything to the contrary set forth herein or any Loan Document, Borrower shall make all payments of principal, interest, fees, and any other amount due to Lenders under the Loan Documents in Dollars, in same day funds, to Agent for further credit to the Lenders, care of Brown Brothers Harriman & Co., for credit to account number 9201033231 at JPMorgan Chase & Co. (ABA #0210-00021), for further credit to The 1818 Fund II, L.P. to account number 3592441 (Reference: VAALCO), or at such other bank or account in New York as Agent from time to time designates. Payments must be received in Agent's designated account no later than 1:00 p.m. New York time. Unless the Lender who is to receive funds as set forth herein and as a result of such Lender's consent does not receive such funds, otherwise agrees in writing, all payments of principal or interest made by the Borrower on the Loans shall be allocated ratably between the then outstanding Loans, based on the respective outstanding principal amount of such Loans. The Borrower, the Agent and each Lender agrees to take all such actions as shall be necessary to give effect to such requirement. Each Lender agrees that in computing such Lender's portion of

any such payment, the Agent may, in its discretion, round each Lender's percentage of such payment to the next higher or lower whole dollar amount. The Agent shall distribute any such payments received by it for the account of any other person to the appropriate recipient promptly following receipt thereof.

(b) The tender or payment of any amount payable under the Loan Documents (whether or not by recovery under a judgment) in any currency other than Dollars shall not novate, discharge or satisfy the obligation of Borrower to pay in Dollars all amounts payable under the Loan Documents except to the extent that (and as of the date when) Agent actually receives funds in Dollars in the account specified in, or pursuant to, Subsection 1.03(a).

(c) Borrower shall indemnify Agent and each Lender against any losses resulting from a payment being received or an order or judgment being given under the Loan Documents in any currency other than Dollars or any place other than the account specified in, or pursuant to, Subsection 1.03(a). Borrower shall, as a separate obligation, pay such additional amount as is necessary to enable Agent and each Lender to receive, after conversion to Dollars at a market rate and transfer to that account, the full amount due to such person under the Loan Documents in Dollars and in the account specified in, or pursuant to, Subsection 1.03(a).

(d) Notwithstanding the provisions of Subsection 1.03(a) and Subsection 1.03(b), Agent may require Borrower to pay (or reimburse Agent or any Lender) for any Taxes and other amounts payable under Subsection 1.07(a) in the currency in which they are payable, if other than Dollars.

1.04 Collateral.

(a) As security for the payment or performance, as applicable, of all of Borrower's Obligations, Borrower has granted security interests to Agent, as

agent, and its successors and assigns pursuant to the security agreements and other documents described on Schedule I hereto and any financing statements filed in connection therewith or as Agent shall require, all in form and substance satisfactory to Agent (collectively the "Security Documents").

(b) Borrower hereby authorizes Agent to file one or more financing statements, continuation statements, or other documents for the purpose of perfecting, confirming, continuing, enforcing or protecting the security interest granted pursuant to the Security Documents by Borrower naming Borrower as debtor and Agent as secured party. Borrower shall reimburse Agent immediately upon demand for all reasonable costs and expenses incurred by Agent in connection with the Loan Documents or any of the foregoing, including without limitation, filing and recording fees and costs of appraisals, audits, title insurance, and attorneys' fees.

1.05 Subordination of Debt.

(a) In connection with the Notes, VGEI is borrowing money from and incurring obligations to IFC (the "IFC Indebtedness"). The obligation of Borrower to repay the Note and other indebtedness under the Loan Documents and the priority of liens created under the Security Documents are subject to the terms of that certain Subordination Agreement, dated as of June 10, 2002, by and between Borrower, IFC and the Original Lender attached as Exhibit C hereto (hereafter, as amended, supplemented or otherwise modified from time to time, the "Subordination Agreement").

1.06 Suspension or Cancellation by Lender.

(a) Agent may, by notice to Borrower, suspend the right of Borrower to borrow and/or cancel the undisbursed portion of the Commitment in whole or in part:

(i) if any Event of Default has occurred and is continuing; or

(ii) if any event or condition has occurred and is continuing which has or can reasonably be expected to have a material adverse effect.

(b) Agent may, by notice to Borrower, suspend the right of Borrower to borrow and/or cancel the undisbursed portion of the Tranche A Commitments in whole or in part:

(i) on or after December 31, 2003; or

(ii) on or after the Phase One Completion Date.

(c) Agent may, by notice to Borrower, suspend the right of Borrower to borrow and/or cancel the undisbursed portion of the Tranche B

Commitments in whole or in part on or after April 30, 2003.

(d) Upon the giving of any such notice, the right of Borrower to any further Tranche A Loans or Tranche B Loans, as applicable shall be suspended or canceled, as the case may be. The exercise by Agent of the right of suspension shall not preclude Agent from exercising the right of cancellation, either for the same or any other reason specified in Section 1.06. Upon any cancellation, Borrower shall, subject to Subsection 1.06(f), pay to Agent and each Lender all fees and other amounts accrued (whether or not then due and payable) under this Agreement up to the date of that cancellation other than principal and interest on the Loans which shall be payable in accordance with the Notes and the applicable provisions hereunder. A suspension shall not limit any other provision of this Agreement.

(e) Any portion of the Commitment that is canceled under this Section 1.06 may not be reborrowed.

(f) In the case of a partial cancellation of the Commitment pursuant to Subsection 1.06(a), 1.06(b), or 1.06(c) interest on the amount then outstanding of the Loans remains payable as provided in Subsection 1.02(a).

1.07 Taxes.

(a) Borrower shall pay or cause to be paid all Taxes other than taxes, if any, payable on the overall income of any Lender on or in connection with the payment of any and all amounts due under this Agreement that are now or in the future levied or imposed by any Authority of Gabon, the United States of America, or the United Kingdom or by any organization of which Gabon, the United States of America or the United Kingdom is a member or any jurisdiction through or out of which a payment is made.

(b) All payments of principal, interest, fees and other amounts due under this Agreement shall be made without deduction for or on account of any Taxes.

(c) If Borrower is prevented by operation of law or otherwise from making or causing to be made those payments without deduction, such deduction and withholding shall be made and the principal or (as the case may be) interest, fees or other amounts due under this Agreement shall be increased to such amount as may be necessary so that each Lender receives the full amount it would have received (taking into account any Taxes payable on amounts payable by Borrower under this subsection) had those payments been made without that deduction.

(d) If Section 1.07 applies and Agent so requests, Borrower shall deliver to Agent official tax receipts evidencing payment (or certified copies of them) within thirty (30) days of the date of that request.

(e) Each Lender that is organized in a jurisdiction other than the United States, a State thereof or the District of Columbia hereby agrees that: (i) it shall, no later than the date hereof (or, in the case of a Lender which becomes a party hereto pursuant to Section 7.04 hereof after the date hereof, the date upon which such

Lender becomes a party hereto) deliver to the Borrower and the Agent: (A) two accurate, complete and signed originals of U.S. Internal Revenue Service Form W-8ECI or successor form, or two accurate, complete and signed originals of U.S. Internal Revenue Service Form W-8BEN or successor form, in each case, indicating that such Lender is on the date of delivery thereof entitled to receive payments of principal, interest and fees for the account of its lending office under this Agreement free from, or subject to a reduced rate of, withholding of United States Federal income tax and (B) two accurate, complete and signed originals of the certificate attached hereto as Exhibit E; and (ii) if at any time such Lender changes its lending office or offices or selects an additional lending office for purposes of this Agreement, it shall, at the same time or reasonably promptly thereafter, deliver to the Borrower and the Agent the appropriate forms as described in clause (i) above in replacement for, or in addition to, the forms previously delivered by it hereunder.

(f) Notwithstanding anything to the contrary set forth herein, with respect to any Lender, the Borrower's obligations under this Section 1.07 shall be suspended (i) for so long as, and for any period for which such Lender fails to comply with subsection 7.01(e) and (ii) to the extent such obligations relate to Taxes that (x) are withholding taxes imposed on amounts payable to such Lender at the time such Lender becomes a party to this Agreement, except to the extent that such Lender's assignor (if any) was entitled, at the time of assignment, to receive additional amounts from the Borrower with respect to such Taxes pursuant to this Section 1.07, or (y) are imposed as a result of any event occurring after such Lender becomes a Lender other than a change in law or

regulation or the introduction of any law or regulation or a change in interpretation or administration of any law.

(g) The agreements in this Section 1.07 shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Borrower makes the following representations and warranties to each Lender, which representations and warranties shall survive the execution of this Agreement and shall continue in full force and effect until the full and final payment, and satisfaction and discharge, of all obligations of Borrower to each Lender subject to this Agreement.

2.01 Legal Status. Borrower, VII and VGEI are each corporations, duly organized and existing and in good standing under the laws of the State of Delaware and are qualified or licensed to do business (and are in good standing as a foreign corporation, if applicable) in all jurisdictions in which such qualification or licensing is required or in which the failure to so qualify or to be so licensed could have a material adverse effect on Borrower, VII or VGEI.

2.02 Capitalization.

(a) The authorized capital stock of Borrower consists solely of 100,000,000 shares of common stock, par value $.10 per share ("Common Stock") and 500,000 shares of preferred stock, par value $25.00 per share ("Preferred Stock"). As of the date hereof: (i) 20,744,569 shares of Common Stock were issued and outstanding, (ii) 10,000 shares of Series A Preferred Stock ("Series A Preferred Stock") were issued and outstanding, (iii) 3,495,325 shares of Common Stock were reserved for issuance upon exercise of outstanding options, warrants (excluding the Warrants) and other rights to acquire Common Stock, (iv) 15,000,000 shares of Common Stock were reserved for issuance upon exercise of the Warrants, (v) 5,395 shares of Common Stock were held by the Company in its treasury, and (vi) 27,500,000 shares of Common Stock were reserved for issuance upon conversion of the Series A Preferred Stock. The Warrants and the Additional Warrants are duly authorized, and when issued to each Lender after payment therefor, will be validly issued and will be free and clear of all liens. The shares of Common Stock issuable upon exercise of the Warrants and the Additional Warrants, when issued in compliance with the terms thereof, will be validly issued, fully paid and nonassessable and not subject to any preemptive rights. Except as set forth above, as of the date hereof, no shares of capital stock or other equity securities of Borrower were issued, reserved for issuance or outstanding, and there are no other options, warrants or other rights presently outstanding to purchase or otherwise acquire (i) any authorized but unissued, unauthorized or treasury shares of the Borrower's capital stock, or (ii) any security which by its terms is convertible or exercisable for shares of Borrower's capital stock, and there are no commitments to issue any of the foregoing. All outstanding shares of Common Stock and Preferred Stock of Borrower are duly authorized, validly issued, fully paid and nonassessable and not subject to preemptive rights.

(b) The authorized capital stock of VGEI consists solely of 1,000 shares of common stock, par value $10.00 per share ("VGEI Common Stock"). As of the date hereof 1,000 shares of VGEI Common Stock were issued and outstanding. As of the date hereof after giving effect to the transactions contemplated by the consent of IFC dated as of the date hereof (the "Consent") all of the capital stock of VGEI was owned by VII and no shares of capital stock or other equity securities of VGEI were issued, reserved for issuance or outstanding, and there are no other options, warrants or other rights presently outstanding to purchase or otherwise acquire (i) any authorized but unissued, unauthorized or treasury shares of VGEI's capital stock, or (ii) any security which by its terms is convertible or exercisable for shares of VGEI's capital stock, and there are no commitments to issue any of the foregoing. All outstanding shares of VGEI Common Stock are duly authorized, validly issued, fully paid and nonassessable and not subject to preemptive rights.

(c) The authorized capital stock of VII consists solely of 10,000 shares of common stock, par value $0.001 per share ("VII Common Stock"). As of the date hereof 10,000 shares of VII Common Stock were issued and outstanding. As of the date hereof and after giving effect to the transactions contemplated by the Consent all of the capital stock of VII was owned by Borrower and NIC and other than as set forth in the Stockholders' Agreement, no shares of capital stock or other equity securities of

VII were issued, reserved for issuance or outstanding, and there are no other options, warrants or other rights presently outstanding to purchase or otherwise

acquire (i) any authorized but unissued, unauthorized or treasury shares of VII's capital stock, or (ii) any security which by its terms is convertible or exercisable for shares of VII's capital stock, and there are no commitments to issue any of the foregoing. All outstanding shares of VII Common Stock are duly authorized, validly issued, fully paid and nonassessable and not subject to preemptive rights.

2.03 Authorization and Validity.

(a) This Agreement, the Note, the Security Documents, the Warrants, the Additional Warrants and each contract, instrument and other document required hereby or at any time hereafter delivered to Agent or any Lender in connection herewith (as amended, supplemented, or otherwise modified from time to time, collectively, the "Loan Documents") have been duly authorized, and upon their execution and delivery in accordance with the provisions hereof will constitute legal, valid and binding agreements and obligations of Borrower or VII, as applicable, enforceable in accordance with their respective terms.

(b) The IFC Loan Agreement, and the other Transaction Documents contemplated by the IFC Loan Agreement, have been duly authorized, and upon their execution and delivery in accordance with the provisions of the IFC Loan Agreement will constitute legal, valid and binding agreements and obligations of VGEI or Borrower, as the case may be, enforceable in accordance with their respective terms.

2.04 No Violation.

(a) The execution, delivery and performance by Borrower or VII of each of the Loan Documents do not violate any provision of any law or regulation, or contravene any provision of the Articles of Incorporation or By-Laws of Borrower or VII, or result in any breach of or default under any contract, obligation, indenture or other instrument to which Borrower or VII is a party or by which Borrower or VII may be bound.

(b) The execution, delivery and performance by VGEI, VII or Borrower, as the case may be, of the IFC Loan Agreement and each of the Transaction Documents do not violate any provision of any law or regulation, or contravene any provision of the Articles of Incorporation or By-Laws of VGEI, VII or the Borrower or result in any breach of or default under any contract, obligation, indenture or other instrument to which VGEI is a party or by which VII, the Borrower or VGEI may be bound.

2.05 Litigation. There are no pending, or to the best of Borrower's knowledge threatened, actions, claims, investigations, suits or proceedings by or before any governmental authority, arbitrator, court or administrative agency which could have a material adverse effect on the financial condition or operation of Borrower, VII or VGEI other than those disclosed by Borrower to Agent in writing prior to the date hereof.

2.06 Correctness of Financial Statement. The quarterly consolidated and consolidating balance sheet dated December 31, 2001, prepared by Borrower's chief financial officer (a) are complete and correct and present fairly the consolidated financial condition of Borrower, (b) disclose all liabilities of Borrower and its Subsidiaries that are required to be reflected or reserved against under U.S. generally accepted accounting principles, whether liquidated or unliquidated, fixed or contingent, and (c) were prepared in accordance with U.S. generally accepted accounting principles consistently applied. Since the date of such quarterly financial statement there has been no material adverse change in the consolidated financial condition of Borrower, nor has Borrower or any of its Subsidiaries mortgaged, pledged, granted a security interest in or otherwise encumbered any of its assets or properties except in favor of Agent or IFC or as otherwise permitted by the Required Lenders in writing.

2.07 Income Tax Returns. All tax returns and reports of Borrower and its Subsidiaries required by law to be filed have been duly filed and all taxes, obligations, fees and other governmental charges upon Borrower and its Subsidiaries, or their properties, or their income or assets, which are due and payable or to be withheld, have been paid or withheld, other than those currently payable without penalty or interest.

2.08 No Subordination. There is no agreement, indenture, contract or instrument to which Borrower or any of its Subsidiaries is a party or by which Borrower or any of its Subsidiaries may be bound that requires the subordination in right of payment of any of Borrower's obligations subject to this Agreement to any other obligation of Borrower except as provided in the Subordination Agreement.

2.09 Permits, Franchises. Each of Borrower and its Subsidiaries possess, and will hereafter possess, all permits, consents, approvals, franchises and licenses required and rights to all trademarks, trade names, patents, and fictitious names, if any, necessary to enable it to conduct the

business in which it is now engaged in compliance with applicable law.

2.10 ERISA. Each of Borrower and its Subsidiaries is in compliance in all material respects with all applicable provisions of the Employee Retirement Income Security Act of 1974, as amended or recodified from time to time ("ERISA"); Neither Borrower nor any of its Subsidiaries has violated any provision of any defined employee pension benefit plan (as defined in ERISA) maintained or contributed to by Borrower or its Subsidiaries (each, a "Plan"); no Reportable Event as defined in ERISA has occurred and is continuing with respect to any Plan initiated by Borrower or its Subsidiaries; each of Borrower and its Subsidiaries has met its minimum funding requirements under ERISA with respect to each Plan; and each Plan will be able to fulfill its benefit obligations as they come due in accordance with the Plan documents and under U.S. generally accepted accounting principles.

2.11 Other Obligations. Neither Borrower nor any of its Subsidiaries is in default on any obligation for borrowed money, any purchase money obligation or any other material lease, commitment, contract, instrument or obligation.

2.12 Environmental Matters. Except as disclosed by Borrower to Lender in writing prior to the date hereof, Borrower and each of its Subsidiaries is in compliance with all applicable federal or state environmental, hazardous waste, health and safety statutes, and any rules or regulations adopted pursuant thereto, which govern or affect any of Borrower's or its Subsidiaries' operations and/or properties, including without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act of 1986, the Federal Resource Conservation and Recovery Act of 1976, and the Federal Toxic Substances Control Act, as any of the same may be amended, modified or supplemented from time to time. None of the operations of Borrower or its Subsidiaries is the subject of any federal or state investigation evaluating whether any remedial action involving a material expenditure is needed to respond to a release of any toxic or hazardous waste or substance into the environment. Neither Borrower nor any of its Subsidiaries has a material contingent liability in connection with any release of any toxic or hazardous waste or substance into the environment.

2.13 No Consent.

(a) Borrower's execution, delivery and performance of each of the Loan Documents, including this Agreement, to which Borrower is a party do not require the consent or approval of any other person or entity which has not been obtained, including, without limitation, any regulatory authority or governmental body of the United States of America or any state thereof or any political subdivision of the United States of America or any state thereof.

(b) VGEI's, VII's or Borrower's, as the case may be, execution, delivery and performance of the IFC Loan Agreement and each of the Transaction Documents, to which VGEI, VII or Borrower, as the case may be, is a party do not require the consent or approval of any other person or entity which has not been obtained, including, without limitation, any regulatory authority or governmental body of the United States of America or any state thereof or any political subdivision of the United States of America or any state thereof.

2.14 No Liens. Neither Borrower nor any of its Subsidiaries has any outstanding lien on any of its assets other than liens in connection with the IFC Loan Agreement in favor of IFC and otherwise as arising by operation of law, and no contract or arrangements, conditional or unconditional, exist for the creation by Borrower or any of its Subsidiaries of any lien, except for liens in favor of IFC in connection with the IFC Loan Agreement and Agent pursuant to the Loan Documents.

2.15 Laws. To the best of Borrower's knowledge and belief after due inquiry, neither Borrower nor any of its Subsidiaries is in violation of any statute or regulation of any governmental authority.

2.16 Judgments. No judgment or order has been issued which has or may reasonably be expected to have a material adverse effect on the financial conditions or operations of Borrower or any of its Subsidiaries.

2.17 Information. All information regarding Borrower and its Subsidiaries furnished to Agent or the Lenders prior to or contemporaneously herewith, by or on behalf of Borrower, was and continues to be true and accurate and does not contain any information that is misleading in any material respect nor does it omit any information the omission of which makes the information contained in it misleading in any material respect, and none of the representations and warranties in this Article II omits any matter the omission of which makes any of such representations and warranties misleading.

2.18 VGEI. The representations and warranties made by VGEI in Section 4.01 of the IFC Loan Agreement are true and correct in all material respects (except for any such representations and warranties which are qualified by their terms by a reference to materiality or material adverse affect, which representation as so qualified shall be true and correct in all respects).

ARTICLE III

CONDITIONS

3.01 Conditions to Initial Loan. The obligation of each Lender to make the initial Loan pursuant to Section 1.01 under this amended and restated agreement is subject to the fulfillment to the Lenders' satisfaction of all of the following conditions:

(a) Approval Of Lender Counsel. All legal matters incidental to the extension of credit by such Lender shall be satisfactory to such Lender's counsel.

(b) Documentation. Each Lender shall have received, in form and substance satisfactory to such Lender, such documents as such Lender may require including, without limitation, this Agreement, the Notes, the Warrants and each of the documents described on Schedule I attached hereto.

(c) Lender Approval and Closing of Senior Loan. The IFC Loan Agreement, the Transaction Documents and other related documents (as amended, supplemented or otherwise modified from time to time, the "IFC Loan Documents") shall be satisfactory to such Lender in its sole discretion, all conditions precedent under the IFC Loan Documents will following the occurrence of funding hereunder, be satisfied (and not waived except with Lenders' consent). Borrower will deliver to each Lender all documents delivered to IFC upon closing of the IFC Loan Agreement that such Lender specifically requests Borrower to deliver to such Lender.

(d) Financial Condition. There shall have been no material adverse change, as determined by each Lender, in the financial condition or business of Borrower and its Subsidiaries, nor any material decline, as determined by each Lender, in the market value of any collateral required hereunder or a substantial or material portion of the assets of Borrower and its Subsidiaries.

(e) Insurance. Borrower shall have delivered to Agent evidence of insurance coverage on all Borrower's and its Subsidiaries' property, in form,

substance, amounts, covering risks and issued by companies satisfactory to Agent, including without limitation, policies of fire and extended coverage insurance covering all real property collateral required hereby, and such policies of insurance against specific hazards affecting any such real property as may be required by governmental regulation.

3.02 Conditions of All Loans. The obligation of any Lender to make any Loan, including the initial Loan, on any date is also subject to the conditions that:

(a) no Event of Default has occurred and is continuing;

(b) no event of default pursuant to Section 7.02 of the IFC Loan Agreement ("IFC Events of Default") and no event or circumstance which would, with notice, lapse of time, the making of a determination or any combination thereof, become an event of default pursuant to Section 7.02 of the IFC Loan Agreement ("IFC Potential Events of Default") has occurred and is continuing;

(c) in the case of Tranche A Loans, only the proceeds of such requested Tranche A Loan shall, at such date, be used by Borrower for the sole purpose of funding the Sponsor Escrow Account as a condition precedent to a funding in the same amount by IFC to VGEI under the IFC Loan Agreement within three (3) Business Days thereof;

(d) since the date of this Agreement, no event has occurred which (i) has and is continuing to have or (ii) can reasonably be expected to have a material adverse effect on Borrower and its Subsidiaries taken as a whole;

(e) since December 31, 2001, Borrower and its Subsidiaries have not incurred any material loss or liability (except such liabilities as may be incurred in accordance with Article V);

(f) the representations and warranties made in Article II are true and correct in all material respects (except for any such representations and warranties which are qualified by their terms by a reference to materiality or material adverse affect, which representation as so qualified shall be true and correct in all respects) on and as of such date with the same effect as if those representations and warranties had been made on and as of such date;

(g) after giving effect to such Loan, neither Borrower nor its Subsidiaries would be in violation of:

(i) its articles of incorporation and bylaws and/or such other constitutive documents, however so called;

(ii) any provision contained in any document to which Borrower or any of its Subsidiaries is a party (including this Agreement) or by which Borrower or any of its Subsidiaries is bound; or

(iii) any law, rule, regulation, authorization or agreement or other document binding on Borrower or any of its Subsidiaries directly or indirectly limiting or otherwise restricting Borrower's or any of its Subsidiary's borrowing power or authority or its ability to borrow;

(h) on and as of such date, Borrower's Long-term Debt to Equity Ratio does not exceed 70:30; and

(i) the undisbursed portion of funds available to VGEI under the IFC Loan Agreement are sufficient to finance VGEI's share of costs projected to be incurred up through the Phase One Completion Date.

3.03 Borrower's Certification. Each Lender shall not be obligated to make any Loan until Borrower shall have delivered to Agent and each Lender with respect to each request for a Loan:

(a) certifications, in the form included in Schedule III signed by an executive officer of Borrower, certifying the conditions specified in Section 3.02 and Section 3.05, as applicable, expressed to be effective as of such date; and

(b) such evidence as each Lender may reasonably request of the proposed utilization of the proceeds of the Loan or in the case of Tranche A Loans only, the utilization of the proceeds of the corresponding loan to VGEI under the IFC Loan Agreement.

3.04 Conditions for Lender's Benefit. The conditions in Section 3.01 through Section 3.03 and Section 3.05 are for the benefit of each Lender and may be waived only by the Required Lenders in their sole discretion in accordance with Section 7.05.

3.05 Conditions to the Initial Tranche B Loan. The obligation of each Lender to make the initial Loan pursuant to Section 1.01(b) under this amended and restated agreement is subject to the fulfillment to the Lenders' satisfaction of all of the following conditions:

(a) Phase One Completion Date. The Phase One Completion Date shall have occurred on or prior to March 31, 2003;

(b) Tranche A Loans. Each Lender shall have received, payment in full in cash in respect of all amounts outstanding under the Notes in respect of all Tranche A Loans; and

(c) Reserves. The Borrower shall have delivered to the Agent and each Lender a reserve report issued by an independent petroleum engineer or other independent authority satisfactory to the Agent in its sole discretion stating that the proved, developed crude oil reserves in the Etame Field are not less than 60,000,000 barrels.

ARTICLE IV

AFFIRMATIVE COVENANTS

Borrower covenants that so long as any liabilities (whether direct or contingent, liquidated or unliquidated) of Borrower to any Lender or Agent under any of the Loan Documents remain outstanding, and until payment in full of all obligations of Borrower subject hereto, Borrower shall (and shall cause its Subsidiaries, if applicable).

4.01 Punctual Payments. Punctually pay all principal, interest, fees or other liabilities due under any of the Loan Documents at the times and place and in the manner specified therein.

4.02 Accounting Records. Maintain adequate books and records in accordance with U.S. generally accepted accounting principles consistently applied, and permit any representative of Agent and each Lender, at any reasonable time, to inspect, audit and examine such books and records, to make copies of the same, and to inspect the properties of Borrower and its

Subsidiaries.

4.03 Financial Statements. Borrower will promptly furnish to Agent and each Lender from time to time upon request such information regarding the business and affairs and financial condition of Borrower and its Subsidiaries as they may reasonably request, and will furnish to Agent and each Lender:

(a) Annual Reports -- promptly after becoming available and in any event within 90 days after the close of each fiscal year of Borrower, the audited consolidated and unaudited consolidating balance sheets of Borrower and its Subsidiaries as at the end of such year, the audited consolidated and unaudited consolidating statements of profit and loss of Borrower and its Subsidiaries for such year and the audited consolidated and unaudited consolidating statements of reconciliation of capital accounts of Borrower and its Subsidiaries for such year, setting forth in each case for fiscal years ending after September 30, 2001, in comparative form the corresponding figures for the preceding fiscal year, accompanied by the related report of independent public accountants acceptable to Agent which report shall be to the effect that such statements have been prepared in accordance with U.S. generally accepted accounting principles consistently followed throughout the period indicated except for such changes in such principles with which the independent public accountants shall have concurred, showing the calculations confirming Borrower's compliance with all financial covenants; and

(b) Quarterly Reports -- promptly after becoming available and in any event within 45 days after the end of each of the first three quarterly periods in each fiscal year of Borrower, the consolidated and consolidating balance sheets of Borrower and its Subsidiaries as at the end of such period, the consolidated and consolidating statements of profit and loss of Borrower and its Subsidiaries for such quarter and for the period from the beginning of the fiscal year to the close of such quarter, and the consolidated and consolidating statement of reconciliation of capital

accounts of Borrower and its Subsidiaries for such quarter and for the period from the beginning of the fiscal year to the close of such quarter, setting forth in each case for fiscal years ending after September 30, 2001, in comparative form the corresponding figures for the corresponding period of the preceding fiscal year, certified by the principal financial officer of Borrower to have been prepared in accordance with U.S. generally accepted accounting principles consistently followed throughout the period indicated except to the extent stated therein, subject to normal changes resulting from year-end adjustment;

(c) Audit Reports -- promptly upon receipt thereof, one copy of each other report submitted to Borrower or any Subsidiary by independent accountants in connection with any annual, interim or special audit made by them of the books of Borrower or any Subsidiary;

(d) SEC and Other Reports -- promptly upon their becoming available, one copy of each financial statement, report, notice or proxy statement sent by Borrower to stockholders generally, and of each regular or periodic report and any registration statement, prospectus or written communication (other than transmittal letters) in respect thereof filed by Borrower with or received by Borrower in connection therewith from any securities exchange or the Securities and Exchange Commission or any successor agency;

(e) VGEI Reports -- to the extent requested by Agent and each Lender, all reports, documents or other materials required to be delivered or otherwise delivered to IFC pursuant to Section 6.03 of the IFC Loan Agreement.

(f) Other Information -- from time to time such other information as Agent or any Lender may reasonably request.

4.04 Compliance. Preserve and maintain all licenses, permits, governmental approvals, rights, privileges and franchises necessary for the conduct of its business and the business of its Subsidiaries; and comply with the provisions of all documents pursuant to which Borrower and its Subsidiaries organized and/or which govern Borrower's and its Subsidiaries' continued existence and with the requirements of all laws, rules, regulations and orders of any governmental authority applicable to Borrower, its Subsidiaries and/or their business.

4.05 Insurance. Maintain and keep in force insurance of the types and in amounts customarily carried in lines of business similar to that of Borrower, including but not limited to fire, extended coverage, public liability, flood, property damage and workers' compensation, with all such insurance carried with companies and in amounts satisfactory to Agent, and deliver to Agent from time to time, at Agent's request, schedules setting forth all insurance then in effect.

4.06 Facilities. Keep all properties useful or necessary to Borrower's

and its Subsidiaries' business in good repair and condition, and from time to time make

necessary repairs, renewals and replacements thereto so that such properties shall be fully and efficiently preserved and maintained.

4.07 Taxes and Other Liabilities. Pay and discharge when due any and all indebtedness, obligations, assessments and taxes, both real or personal, including without limitation federal and state income taxes and state and local property taxes and assessments, except such (a) as Borrower or any Subsidiary may in good faith contest or as to which a bona fide dispute may arise, and (b) for which Borrower or any Subsidiary has made provision, to Agent's satisfaction, for eventual payment thereof in the event Borrower or any Subsidiary is obligated to make such payment.

4.08 Litigation. Promptly give notice in writing to Agent of all litigation pending or threatened against Borrower or any Subsidiary with claims in excess of $10,000.00 in the aggregate.

4.09 Notice to Lender. Promptly give written notice to Agent and each Lender in reasonable detail of: (a) the occurrence of any Event of Default of which Borrower is aware along with written notices or correspondence regarding same, or any condition, event or act which with the giving of notice or the passage of time or both would constitute an Event of Default; (b) any IFC Events of Default or IFC Potential Events of Default along with written notices or correspondence regarding same; (c) any change in the name or the organizational structure of Borrower; and (d) the occurrence and nature of any Reportable Event or Prohibited Transaction, each as defined in ERISA, or any funding deficiency with respect to any Plan.

4.10 Maintenance of Existence. Each of Borrower and its Subsidiaries shall preserve and maintain in full force and effect their legal existence, and maintain their good standing under the laws of their state or jurisdiction of formation.

ARTICLE V

NEGATIVE COVENANTS

Borrower further covenants that so long as any Lender remains committed to extend credit to Borrower pursuant hereto, or any liabilities (whether direct or contingent, liquidated or unliquidated) of Borrower to the Agent or any Lender under any of the Loan Documents remain outstanding, and until payment in full of all obligations of Borrower subject hereto, Borrower will not (and shall cause its Subsidiaries not to, if applicable):

5.01 Use of Funds. Use the proceeds of the Tranche A Loans for purposes other than to fund the Sponsor Escrow Account pursuant to the IFC Loan Agreement.

5.02 Other Indebtedness. Create, incur, assume or permit to exist any Debt with respect to Borrower and its Subsidiaries except (a) the liabilities of Borrower or a Subsidiary to Agent, a Lender or an Affiliate of a Lender or Agent, (b) the liabilities

of VII contemplated by the Stockholders' Agreement in effect on the date hereof, (c) any other liabilities of Borrower and its Subsidiaries existing as of, and described in the Subordination Agreement, and (d) other Long Term Debt, provided that Borrower's Long Term Debt to Equity Ratio shall not exceed 70:30.

5.03 Merger, Consolidation, Transfer of Assets. Merge into or consolidate with any other entity; make any substantial change in the nature of Borrower's or any Subsidiary's business as conducted as of the date hereof; acquire all or substantially all of the assets of any other entity; nor sell, lease, transfer or otherwise dispose of all or a substantial or material portion of Borrower's or any Subsidiary's assets except in the ordinary course of its business and except in each case for the transfer of all of the outstanding VGEI Common Stock by the Borrower to VII.

5.04 Loans, Advances, Investments. Make any loans or advances to or investments in any person or entity, except any of the foregoing to, or in, VII or VGEI or to the extent existing as of, and disclosed to Lender prior to June 10, 2002.

5.05 Dividends, Distributions. Declare or pay any dividend or distribution either in cash, stock or any other property on Borrower's or any Subsidiary's (other than wholly-owned Subsidiaries) stock now or hereafter outstanding, nor redeem, retire, repurchase or otherwise acquire any shares of any class of Borrower's or any Subsidiary's (other than wholly-owned

Subsidiaries) stock now or hereafter outstanding except as provided in the Warrants; provided, that, each of VGEI and VII may pay dividends or make distributions to its shareholders.

5.06 Pledge of Assets. Mortgage, pledge, grant or permit to exist a security interest in, or lien upon, all or any portion of Borrower's or any Subsidiary's assets now owned or hereafter acquired, except any of the foregoing in favor of (a) the Agent, or a stockholder of VII, or (b) which is existing as of the date hereof, and described under, the Subordination Agreement.

5.07 Sales and Leasebacks. Enter into any arrangement, directly or indirectly, with any person whereby Borrower or any Subsidiary shall sell or transfer any of its property, whether now owned or hereafter acquired, and whereby Borrower or any Subsidiary shall then or thereafter rent or lease as lessee such property or any part thereof or other property which Borrower or any Subsidiary intends to use for substantially the same purpose or purposes as the property is sold or transferred.

5.08 Nature of Business. Allow any material change to be made in the character of Borrower's or any Subsidiary's business as conducted on June 10, 2002 or in the case of VII, as of the date hereof.

5.09 Transactions with Affiliates. Enter into any transaction, including without limitation, any purchase, sale, lease or exchange of property or the rendering of any service, with any Affiliate of Borrower or any of its Subsidiaries unless such transactions are in the ordinary course of its business and are upon fair and reasonable

terms no less favorable to Borrower or its Subsidiary than Borrower or its Subsidiary would obtain in a comparable arm's-length transaction with a person not an affiliate.

5.10 Fiscal Year. Change the fiscal accounting year of Borrower or its Subsidiaries from a calendar year commencing each year on January 1 and ending on the following December 31.

5.11 Project. Permit VGEI to change in any material way the nature or scope of the Project or change the nature of its present or contemplated business or operations.

5.12 VGEI PSC Interest. Permit VGEI to reduce its working interest under the PSC below 30.35% during the exploration phase and below 28.07% during the production phase.

5.13 Stockholders Agreement. Amend, modify, supplement or waive any provision of the Stockholders' Agreement as in effect on the date hereof, without the express written consent of the Required Lenders, which consent shall be granted in the sole discretion of each such Lender.

ARTICLE VI

EVENTS OF DEFAULT

6.01 Events of Default. The occurrence of any of the following shall constitute an "Event of Default" under this Agreement:

(a) Borrower shall fail to pay when due any principal, interest, fees or other amounts payable under any of the Loan Documents.

(b) Any default in the performance of or compliance with any obligation, agreement or other provision contained herein or in any other Loan Document (other than those referred to in subsections 6.01(a)), and with respect to any such default which by its nature can be cured, such default shall continue for a period of thirty (30) days from its occurrence.

(c) Borrower or any of its Subsidiaries fails to pay any of its Debt (other than as provided under 6.01 (a)) or to perform any of its obligations under any agreement pursuant to which there is outstanding any Debt, and any such failure continues for more than any applicable period of grace or any such Debt becomes prematurely due and payable or is placed on demand, provided such non-payment or non-performance will not be an Event of Default if (i) such non-payment or non-performance relates to a Debt not exceeding one hundred fifty thousand Dollars ($150,000) and (ii) is being contested by Borrower or such Subsidiary in good faith in a court of competent jurisdiction for reasons other than its inability to make due and punctual payment and for which Borrower or such Subsidiary has set aside adequate reserves.

(d) Any of the representations and warranties of Borrower made herein or by the Borrower or a Subsidiary in any other Loan Document or that is

contained in any certificate, document or financial or other statement furnished by it at any time under or in connection with this Agreement or any such other Loan Document shall prove to have been inaccurate, false or misleading in any material respect on or as of the date made.

(e) The filing of a notice of judgment lien against Borrower or any of its Subsidiaries; or the recording of any abstract of judgment against Borrower or any of its Subsidiaries in any county in which Borrower has an interest in real property; or the service of a notice of levy and/or of a writ of attachment or execution, or other like process, against the assets of Borrower or any of its Subsidiaries; or the entry of a judgment against Borrower or any of its Subsidiaries. Notwithstanding the foregoing, there shall not be an Event of Default upon the filing of notices of judgment lien, the recording of abstracts of judgment, or the entries of judgment against Borrower or any of its Subsidiaries if the aggregate amount of all such judgments not covered by insurance is less than $1,000,000 and such judgments are released within sixty (60) days of the filing, recording or entry of such judgment.

(f) Borrower or any of its Subsidiaries shall become insolvent, or shall suffer or consent to or apply for the appointment of a receiver, trustee, custodian or liquidator of itself or any of its property, or shall generally fail to pay its debts as they become due, or shall make a general assignment for the benefit of creditors; Borrower or any of its Subsidiaries shall file a voluntary petition in bankruptcy, or seeking reorganization, in order to effect a plan or other arrangement with creditors or any other relief under the Bankruptcy Reform Act, Title 11 of the United States Code, as amended or recodified from time to time ("Bankruptcy Code"), or under any state or federal law granting relief to debtors, whether now or hereafter in effect; or any involuntary petition or proceeding pursuant to the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization or other relief for debtors is filed or commenced against Borrower or any of its Subsidiaries, or Borrower or any of its Subsidiaries shall file an answer admitting the jurisdiction of the court and the material allegations of any involuntary petition; or Borrower or any of its Subsidiaries shall be adjudicated a bankrupt, or an order for relief shall be entered against Borrower or any of its Subsidiaries by any court of competent jurisdiction under the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization or other relief for debtors.

(g) The dissolution or liquidation of Borrower or any Subsidiary, or any of its directors or stockholders respectively, shall take action seeking to effect the dissolution or liquidation of Borrower or any Subsidiary.

(h) Any IFC Event of Default.

6.02 Remedies. Upon (a) the occurrence of any Event of Default under subsection 6.01(f) above, all indebtedness including principal and accrued and unpaid interest outstanding under each of the Loan Documents shall become automatically due

and payable and (b) upon the occurrence of any other Event of Default, all indebtedness including all principal and accrued and unpaid interest outstanding under each of the Loan Documents, any term thereof to the contrary notwithstanding, shall at Agent's option and without notice become immediately due and payable; in each case without presentment, demand, or any notices of any kind, including without limitation notice of nonperformance, notice of protest, protest, notice of dishonor, notice of intention to accelerate or notice of acceleration, all of which are hereby expressly waived by Borrower. Upon acceleration of the indebtedness, Lenders and Agent shall have all rights, powers and remedies available under each of the Loan Documents, and accorded by law, including without limitation the right to resort to any or all security for any credit subject hereto and to exercise any or all of the rights of a beneficiary or secured party pursuant to applicable law. All rights, powers and remedies of any Lender or the Agent may be exercised at any time by any Lender or the Agent and from time to time after the occurrence of an Event of Default, are cumulative and not exclusive, and shall be in addition to any other rights, powers or remedies provided by law or equity.

ARTICLE VII

MISCELLANEOUS

7.01 No Waiver. No delay, failure or discontinuance of Agent or any Lender in exercising any right, power or remedy under any of the Loan Documents shall affect or operate as a waiver of such right, power or remedy; nor shall any single or partial exercise of any such right, power or remedy preclude, waive or otherwise affect any other or further exercise thereof or the exercise of any other right, power or remedy. Any waiver, permit, consent or approval of any kind by Agent or any Lender of any breach of or default under any of the Loan Documents must be in writing and shall be effective only to the extent (i) set forth in such writing, or (ii) such waiver, permit, consent or approval is made in accordance with Section 7.05 below.

7.02 Notices. All notices, requests and demands which any party is required or may desire to give to any other party under any provision of this Agreement must be in writing delivered to each party at the following address:

BORROWER: VAALCO ENERGY, INC.
4600 Post Oak Place, Suite 309
Houston, Texas 77027-0130
Attn: Russell Scheirman

AGENT: 1818 FUND II, L.P.
59 Wall Street
New York, New York 10005-2818
Attn: Walter Grist

LENDERS: at its address set forth on Schedule II or the applicable Assignment;

or to such other address as any party may designate by written notice to all other parties. Each such notice, request and demand shall be deemed given or made as follows: (a) if

sent by hand delivery, upon delivery; (b) if sent by mail, upon the earlier of the date of receipt or three (3) days after deposit in the U.S. mail, first class and postage prepaid; and (c) if sent by telecopy, upon receipt.

7.03 Costs, Expenses and Attorneys' Fees. Borrower shall pay to Agent and each Lender immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees (to include outside counsel fees), expended or incurred by Agent or such Lender in connection with (a) Agent's costs and expenses related to the negotiation and preparation of this Agreement and the other Loan Documents, Agent's continued administration hereof and thereof, and the preparation of any amendments and waivers hereto and thereto, (b) the enforcement of Agent's or any Lender's rights and/or the collection of any amounts which become due to Agent or any Lender under any of the Loan Documents, and (c) the prosecution or defense of any action in any way related to any of the Loan Documents, including without limitation, any action for declaratory relief, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Agent or any Lender or any other person) relating to Borrower or any other person or entity.

7.04 Assignments.

(a) Borrower may not assign its rights or obligations hereunder or under the Notes.

(b) Each Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement pursuant to an Assignment Agreement substantially in the form of Exhibit D (an "Assignment") and any tax forms required by the Internal Revenue Service or hereunder, if applicable; provided, however, that any such assignment shall be in the amount of at least $1,000,000 and provided further, at no time shall there be more than four (4) Lenders. Any such assignment will become effective upon the execution and delivery to Borrower, Agent and all Lenders then party to this Agreement ("Existing Lenders") of the Assignment and such tax forms and, except in the case of an assignment to another Lender or an Affiliate of a Lender, for so long as such Affiliate remains an Affiliate of such Lender, the consent of the Required Lenders. Upon receipt of such executed Assignment, Borrower, will, at its own expense, execute and deliver new Notes to the assignor and/or assignee, as appropriate, in accordance with their respective interests as they appear. Borrower, Agent and each Lender further agree to enter into such modifications, assignments and amendments to the Loan Documents as necessary to provide for multiple Lenders, including, for example, designation of a collateral agent and administrative agent for the Lenders. Upon the effectiveness of any assignment pursuant to this Section 7.04(b), the assignee will become a "Lender" for all purposes of this Agreement and obligated, subject to the terms of this Agreement and the Assignment, to fund up to the full amount of its assigned percentage of the Aggregate Commitment. The assignor shall be relieved of its obligations hereunder to the extent of such assignment (and if the assigning Lender no longer holds any rights or obligations under this Agreement, such assigning Lender shall

cease to be a "Lender" hereunder). The Agent will prepare a new Schedule II giving effect to all such assignments effected and restating each Lenders' Commitments, its Pro Rata Percentage and assigned share of Loans then outstanding, and will promptly provide the same to Borrower and each Lender.

(c) Existing Lenders may furnish any information concerning Borrower in their possession from time to time to assignees (including prospective assignees); provided that, such persons agree to maintain such information confidential.

(d) Notwithstanding anything in this Section 7.04 to the contrary, any Lender may assign and pledge its Note to any Federal Reserve Bank or any Affiliate of such Lender for so long as such entity remains an Affiliate of Lender. No such assignment and/or pledge shall release the assigning and/or pledging Lender from its obligations hereunder.

(e) Notwithstanding any other provisions of this Section 7.04, no transfer or assignment of the interests or obligations of any Lender or any grant of participations therein shall be permitted if such transfer, assignment or grant would require Borrower to file a registration statement with the SEC or to qualify the Loans under the "Blue Sky" laws of any state.

(f) Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the permitted successors and assigns of such party.

(g) Upon acceptance and recording pursuant to Subsection 7.04(i), from and after the Assignment Date specified in each Assignment, the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment, have the rights and obligations of a Lender under this Agreement and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment, be released from its obligations under this Agreement.

(h) By executing and delivering an Assignment, the assignee thereunder shall be deemed to confirm to and agree with each other and the other parties hereto as follows: that it has received a copy of this Agreement, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment; that such assignee will independently and without reliance upon the Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; such assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Agent by the terms hereof, together with such powers as are reasonably incidental thereto; and such assignee agrees that it will perform in accordance with their terms all the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(i) The Agent shall maintain at one of its offices in the City of New York a copy of each Assignment delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amount of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive and the Borrower, the Agent, and the Lenders may treat each person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register and any Assignments delivered to the Agent pursuant to this Section shall be available for inspection by the Borrower, and any Lender, at any reasonable time and from time to time upon reasonable prior notice. No assignment shall be effective unless it has been recorded in the Register as provided in this paragraph (i).

7.05 Amendment. None of this Agreement or any other Loan Document (including any Note) or any provision hereof or thereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower and the Required Lenders (and, in the case of any other Loan Document, any other person whose consent is required thereunder); provided, however, that no such agreement shall: (a) (i) decrease the principal amount of any Loan or decrease the rate of interest on any Loan, (ii) extend the maturity of any Loan, any scheduled principal payment date or date for the payment of any interest on any Loan or any fees by, in each case, a period of more than six months or excuse any such payment or any part thereof, in each case for an aggregate period of more than six months, or (iii) amend or modify the provisions of Sections 1.03(a), 1.04(b), 7.03, or 7.19, in each case without the prior written consent of each Lender affected thereby, (b) change or extend the Commitment of any Lender without the prior written consent of such Lender, (c) amend or modify the provisions of this Section, Sections 1.02(c), 1.06(b), 1.06(c), 3.05, 5.01 or the definition of the term "Required Lenders" or release any guarantors (other than guarantors permitted to be sold or otherwise disposed of by the Borrower pursuant to the Loan Documents), without the prior written consent of each Lender, (d) amend or modify Section 1.01(a), or the definition of the terms "Aggregate Tranche A Commitment", "Pro Rata Percentage", "Tranche A Commitment", and "Tranche A Loans" without the prior written consent of the Lenders holding a majority of the aggregate outstanding principal amount of the

Tranche A Loans and unused Tranche A Commitments, or (e) amend or modify Sections 1.01(b) or 1.02(b), or the definition of the terms "Aggregate Tranche B Commitment", "Tranche B Commitment", "Tranche B Loans" and "Original Lender Warrant" without the prior written consent of the Lenders holding a majority of the aggregate outstanding principal amount of the Tranche B Loans and unused Tranche B Commitments; provided further that (x) no such agreement shall amend, modify or otherwise affect the rights or duties of the Agent, hereunder or under any other Loan Document without the prior written consent of the Agent, and (y) no such agreement that by its terms adversely affects the rights of the Lenders holding a majority of the aggregate outstanding principal amount of the Tranche A Loans and unused Tranche A Commitments or the Lenders holding a majority of the aggregate outstanding principal amount of the Tranche B Loans and unused Tranche B Commitments in a manner different from its effect on the other classes of Lenders shall become effective unless approved by a majority in interest of each class of Lenders so adversely affected.

7.06 No Third Party Beneficiaries. This Agreement is made and entered into for the sole protection and benefit of the parties hereto and their respective permitted successors and assigns, and no other person or entity shall be a third party beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Agreement or any other of the Loan Documents to which it is not a party.

7.07 Time. Time is of the essence of each and every provision of this Agreement and each other of the Loan Documents.

7.08 Severability of Provisions. If any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or any remaining provisions of this Agreement.

7.09 Counterparts. This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same Agreement. Any signed counterpart shall be deemed delivered by the party signing it if sent to the other parties hereto by electronic facsimile transmission.

7.10 Further Assurances. Borrower agrees, at its own expense, to execute, acknowledge, deliver and cause to be duly filed all such further instruments and documents and take all such actions as the Agent or any Lender may from time to time reasonably request to preserve, protect and perfect the security interests granted pursuant to the Security Documents and the rights and remedies created hereby, including the payment of any fees and taxes required in connection with the execution and delivery of this Agreement, the granting of the security interests granted pursuant to the Security Documents and the filing of any financing statements (including fixture filings) or other documents in connection herewith or therewith.

7.11 Governing Law.

(a) This Agreement is governed by and shall be construed in accordance with the laws of the State of New York and applicable U.S. federal law.

(b) For the exclusive benefit of Agent and the Lenders, Borrower irrevocably agrees that any legal action, suit or proceeding arising out of or relating to this Agreement or any other Loan Document to which Borrower is a party may be brought by the Agent or a Lender, in its discretion, in the courts of the State of New York, the United States for the Southern District of New York, or England. By the execution of this Agreement, Borrower irrevocably submits to the non-exclusive jurisdiction of such courts in any such action, suit or proceeding. Final judgment against Borrower in any such action, suit or proceeding shall be conclusive and may be enforced in any other jurisdiction, including Gabon, London, New York and Delaware, by suit on the judgment, a certified or exemplified copy of which shall be conclusive evidence of the judgment, or in any other manner provided by law.

(c) Nothing in this Agreement shall affect the right of the Agent or a Lender to commence legal proceedings or otherwise sue Borrower in Gabon, London, New York, Delaware or any other appropriate jurisdiction, or concurrently in more than one jurisdiction, or to serve process, pleadings and other papers upon Borrower in any manner authorized by the laws of any such jurisdiction.

(d) Borrower hereby irrevocably designates, appoints and empowers the Chief Executive and the Head of the Litigation Group of Bird & Bird located at 90 Fetter Lance, London EC4A 1JP (reference VAAEN.0001), as its authorized agent solely to receive for and on its behalf service of the writ of summons or

other legal process in any action, suit or proceeding Agent or a Lender may bring in the courts of England and CT Corp., as its authorized agent solely to receive for and on its behalf service of the writ of summons or other legal process in any action, suit or proceeding Agent or a Lender may bring in the courts of the Southern District of New York.

(e) As long as this Agreement or any other Loan Document to which Borrower is a party remains in force, Borrower shall maintain a duly appointed and authorized agent to receive for and on its behalf service of the writ of summons or other legal process in any action, suit or proceeding brought by Agent or a Lender in the courts of England or in the Southern District of New York with respect to this Agreement or such other Loan Documents. Borrower shall keep Agent and each Lender advised of the identity and location of such agent.

(f) Borrower irrevocably waives: (i) any objection which it may have now or in the future to the laying of the venue of any action, suit or proceeding in any court referred to in this Section 7.11; and (ii) any claim that any such action, suit or proceeding has been brought in an inconvenient forum.

(g) To the extent that Borrower may be entitled in any jurisdiction to claim for itself or its assets immunity with respect to its obligations under this Agreement or any other Loan Document to which it is a party from any suit, execution, attachment (whether provisional or final, in aid of execution, before judgment or otherwise) or other legal process or to the extent that in any jurisdiction that immunity (whether or not claimed), may be attributed to it or its assets, Borrower irrevocably agrees not to claim and irrevocably waives such immunity to the fullest extent now or in the future permitted by the laws of such jurisdiction.

(h) Borrower also consents generally with respect to any proceedings arising out of or in connection with this Agreement or any other Loan Document to which it is a party to the giving of any relief or the issue of any process in connection with such proceedings including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which may be made or given in such proceedings.

(i) To the extent that Borrower may, in any suit, action or proceeding brought in any of the courts referred to in Subsection 7.11(b) or a court of

Gabon, London, New York, Delaware or elsewhere arising out of or in connection with this Agreement or any other Loan Document to which Borrower is a party, be entitled to the benefit of any provision of law requiring Agent or a Lender in such suit, action or proceeding to post security for the costs of Borrower, or to post a bond or to take similar action, Borrower hereby irrevocably waives such benefit, in each case to the fullest extent now or in the future permitted under the laws of Gabon, London, New York, Delaware or, as the case may be, the jurisdiction in which such court is located.

(j) Borrower also irrevocably consents, if for any reason Borrower's authorized agent for service of process of summons, complaint and other legal process in any action, suit or proceeding is not present in New York or England, to service of such papers being made out of those courts by mailing copies of the papers by registered air mail, postage prepaid, to Borrower at its address specified pursuant to Section 7.02. In such a case, Agent or the applicable Lender shall also send by facsimile, or have sent by facsimile, a copy of the papers to Borrower.

7.12 Savings Clause. It is the intention of the parties to comply strictly with applicable usury laws. Accordingly, notwithstanding any provision to the contrary in the Loan Documents, in no event shall any Loan Documents require the payment or permit the payment, taking, reserving, receiving, collection or charging of any sums constituting interest under applicable laws that exceed the maximum amount permitted by such laws, as the same may be amended or modified from time to time (the "Maximum Rate"). If any such excess interest is called for, contracted for, charged, taken, reserved or received in connection with any Loan Documents, or in any communication by or any other person to Borrower or any other person, or in the event that all or part of the principal or interest hereof or thereof shall be prepaid or accelerated, so that under any of such circumstances or under any other circumstance whatsoever the amount of interest contracted for, charged, taken, reserved or received on the amount of principal actually outstanding from time to time under the Loan Documents shall exceed the Maximum Rate, then in such event it is agreed that: (i) the provisions of this paragraph shall govern and control; (ii) neither Borrower nor any other person or entity now or hereafter liable for the payment of any Loan Documents shall be obligated to pay the amount of such interest to the extent it is in excess of the Maximum Rate; (iii) any such excess interest which is or has been received by Agent for itself or on behalf of a Lender or by Lender, notwithstanding this paragraph, shall be credited against the then unpaid principal balance hereof or thereof, or if any of the Loan Documents has

been or would be paid in full by such credit, refunded to Borrower; and (iv) the provisions of each of the Loan Documents, and any other communication to Borrower, shall immediately be deemed reformed and such excess interest reduced, without the necessity of executing any other document, to the Maximum Rate. The right to accelerate the maturity of the Loan Documents does not include the right to accelerate, collect or charge unearned interest, but only such interest that has otherwise accrued as of the date of acceleration. Without limiting the foregoing, all calculations of the rate of interest contracted for, charged, taken, reserved or received in connection with any of the Loan Documents which are made for the purpose of determining whether such rate exceeds the Maximum Rate shall be made to the extent permitted by applicable laws by amortizing, prorating, allocating and spreading during the period of the full term of such Loan

Documents, including all prior and subsequent renewals and extensions hereof or thereof, all interest at any time contracted for, charged, taken, reserved or received by Agent for itself or on behalf of a Lender or by Lender. The terms of this paragraph shall be deemed to be incorporated into each of the other Loan Documents.

To the extent that either Chapter 303 or 306, or both, of the Texas Finance Code apply in determining the Maximum Rate, each of the Agent and each Lender hereby elects to determine the applicable rate ceiling by using the weekly ceiling from time to time in effect, subject to such person's right subsequently to change such method in accordance with applicable law, as the same may be amended or modified from time to time.

7.13 Right of Setoff; Deposit Accounts. Upon and after the occurrence of an Event of Default, (a) Borrower hereby authorizes Agent and each Lender, acting on its behalf or on behalf of any Lender, at any time and from time to time, without notice, which is hereby expressly waived by Borrower, and whether or not Agent or any Lender shall have declared any credit subject hereto to be due and payable in accordance with the terms hereof, to set off against, and to appropriate and apply to the payment of, Borrower's obligations and liabilities under the Loan Documents (whether matured or unmatured, fixed or contingent, liquidated or unliquidated), any and all amounts owing by Agent or any Lender to Borrower (whether payable in U.S. dollars or any other currency, whether matured or unmatured, and in the case of deposits, whether general or special (except trust and escrow accounts), time or demand and however evidenced), and (b) pending any such action, to the extent necessary, to hold such amounts as collateral to secure such obligations and liabilities. Borrower hereby grants to Agent and each Lender a security interest in all deposits and accounts maintained with Agent or any Lender and with any financial institution to secure the payment of all obligations and liabilities of Borrower to Agent and each Lender under the Loan Documents.

7.14 Business Purpose. Borrower represents and warrants that each credit subject hereto is for a business, commercial, investment, agricultural or other similar purpose and not primarily for a personal, family or household use.

7.15 Indemnification. Borrower agrees to indemnify Agent and each Lender, each assignee or participant hereunder, each of their affiliates and each of their officers, directors, partners, members, managers, employees, representatives, agents, attorneys, accountants and experts ("Indemnified Parties") from, hold each of them harmless against and promptly upon demand pay or reimburse each of them for, the Indemnity Matters which may be incurred by or asserted against or involve any of them (whether or not any of them is designated a party thereto) as a result of, arising out of or in any way related to (i) any actual or proposed use by Borrower of the proceeds of any of the Loans, (ii) the execution, delivery and performance of the Loan Documents and amendments to such documents, (iii) the operations of the business of Borrower, (iv) the failure of Borrower to comply with the terms of any Loan Documents or this Agreement and amendments to such documents, or with any applicable law, (v) any inaccuracy of any representation or any breach of any warranty of Borrower set forth in any of the Loan Documents and amendments to such documents, (vi) any assertion that any Indemnified

Party was not entitled to receive the proceeds received pursuant to the Loan Documents and amendments to such documents, (vii) the administration of this Agreement, (viii) the custody or preservation of, or the sale of, collection from or other realization upon any of the collateral, (ix) the exercise, enforcement or protection of any of the rights of the Agent or any Lender hereunder, or (x) any other aspect of the Loan Documents and amendments to such documents , including, without limitation, the reasonable fees and disbursements of counsel and all other expenses incurred in connection with investigating, defending or preparing to defend any such action, suit, proceeding (including any investigations, litigation or inquiries) or claim and including all Indemnity Matters arising by reason of the ordinary negligence of any Indemnified Party, but excluding all Indemnity Matters arising solely by reason

of claims between Lender or any assignee or participant, or any such party's shareholders against Lender or any assignee or participant or by reason of the gross negligence or willful misconduct on the part of the Indemnified Party.

7.16 WAIVER OF JURY TRIAL. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, BORROWER HEREBY IRREVOCABLY AND EXPRESSLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM (WHETHER BASED UPON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED THEREBY OR THE ACTIONS OF THE AGENT OR A LENDER IN THE NEGOTIATION, ADMINISTRATION OR ENFORCEMENT THEREOF.

7.17 NOTICE. THIS DOCUMENT AND ALL OTHER DOCUMENTS RELATING TO THE INDEBTEDNESS CONSTITUTE A WRITTEN LOAN AGREEMENT WHICH REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES RELATING TO THE INDEBTEDNESS.

7.18 Business Day. Whenever any payment hereunder or under any other Loan Document shall become due, or otherwise would occur, on a day that is not a Business Day, such payment may be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest, if applicable.

7.19 Sharing of Setoffs. Each Lender agrees that if it shall, through the exercise of a right of banker's lien, setoff or counterclaim against the Borrower, or pursuant to a secured claim under Section 506 of Title 11 of the United States Code or other security or interest arising from, or in lieu of, such secured claim, received by such Lender under any applicable bankruptcy, insolvency or other similar law, or by any other means, obtain payment, voluntary or involuntary, in respect of any Loan, it shall be deemed simultaneously to have purchased from such other Lender at face value, and shall promptly pay to such other Lender the purchase price for, a participation in the Loan or Loans, as the case may be, of such other Lender, so that the benefit of all such payments

shall be shared by the Lenders ratably in accordance with the aggregate unpaid principal amount of all outstanding Loans; provided, however, that if any such participations are purchased pursuant to this Section and the payment giving rise thereto shall thereafter be recovered, such participations shall be rescinded to the extent of such recovery and the purchase price restored without interest. The Borrower expressly consents to the foregoing arrangements and agrees that any Lender holding a participation in a Loan deemed to have been so purchased may exercise any and all rights of banker's lien, setoff or counterclaim with respect to any and all moneys owing by the Borrower to such Lender by reason of such participation as fully as if such Lender had made a Loan directly to the Borrower in the amount of such participation.

ARTICLE VIII

THE AGENT

8.01 Agency.

(a) In order to expedite the transactions contemplated by this Agreement, the Agent is hereby appointed to act as Agent on behalf of the Lenders. Each of the Lenders, each assignee of any such Lender hereby irrevocably authorizes the Agent to take such actions on behalf of such Lender or assignee and to exercise such powers as are specifically delegated to the Agent by the terms and provisions hereof and of the other Loan Documents, together with such actions and powers as are reasonably incidental thereto. The Agent is hereby expressly authorized by the Lenders, without hereby limiting any implied authority, (i) to receive on behalf of the Lenders all payments of principal of and interest on the Loans, and all other amounts due to the Lenders hereunder, and promptly to distribute to each Lender its proper share of each payment so received; (ii) to give notice on behalf of each of the Lenders to the Borrower of any Event of Default specified in this Agreement of which the Agent has actual knowledge acquired in connection with its agency hereunder; and (iii) to distribute to each Lender copies of all notices, financial statements and other materials delivered by the Borrower or its Subsidiaries pursuant to this Agreement or the other Loan Documents as received by the Agent. Without limiting the generality of the foregoing, the Agent is hereby expressly authorized to release any security interest in any collateral, in the event that such collateral, shall be sold, transferred or otherwise disposed of in a transaction permitted hereunder or contemplated by the Subordination Agreement, and to execute any and all documents (including releases) with respect to the collateral and the rights of the secured parties with respect thereto, in each case as contemplated by and in accordance with the provisions of this Agreement, the Subordination Agreement and the other Loan Documents.

(b) None of the Agent or any of its respective partners, members, managers, directors, officers, employees or agents shall be liable as such for any action taken or omitted by any of them except for its own gross negligence

or willful misconduct, or be responsible for any statement, warranty or representation herein or the contents of any document delivered in connection herewith, or be required to ascertain or to make any inquiry concerning the performance or observance by the Borrower or any

other Person of any of the terms, conditions, covenants or agreements contained in any Loan Document. The Agent shall not be responsible to the Lenders for the due execution, genuineness, validity, enforceability or effectiveness of this Agreement or any other Loan Documents, instruments or agreements. The Agent shall in all cases be fully protected in acting, or refraining from acting, in accordance with written instructions signed by the Required Lenders and, except as otherwise specifically provided herein, such instructions and any action or inaction pursuant thereto shall be binding on all the Lenders. The Agent shall, in the absence of knowledge to the contrary, be entitled to rely on any instrument or document believed by it in good faith to be genuine and correct and to have been signed or sent by the proper person or persons. None of the Agent or any of its respective partners, members, managers, directors, officers, employees or agents shall have any responsibility to the Borrower or any other Person on account of the failure of or delay in performance or breach by any Lender of any of its obligations hereunder or to any Lender on account of the failure of or delay in performance or breach by any other Lender or the Borrower or any guarantor of any of their respective obligations hereunder or under any other Loan Document or in connection herewith or therewith. The Agent may execute any and all duties hereunder by or through agents or employees and shall be entitled to rely upon the advice of legal counsel selected by it with respect to all matters arising hereunder and shall not be liable for any action taken or suffered in good faith by it in accordance with the advice of such counsel.

(c) The Lenders hereby acknowledge that the Agent shall not be under any duty to take any discretionary action permitted to be taken by it pursuant to the provisions of this Agreement unless it shall be requested in writing to do so by the Required Lenders.

8.02 Successor Agent.

(a) Subject to the appointment and acceptance of a successor Agent as provided below, any Agent may resign at any time by notifying the Lenders and the Borrower in writing. Upon any such resignation, the Required Lenders shall have the right to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Agent gives notice of its resignation, then the retiring Agent may, on behalf of the Lenders, appoint a successor Agent which shall be a bank with an office in New York, New York, having a combined capital and surplus of at least $10,000,000 or an Affiliate of any such bank. Upon the acceptance of any appointment as Agent hereunder by a successor bank, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent and the retiring Agent shall be discharged from its duties and obligations hereunder. After the Agent's resignation hereunder, the provisions of this Article and Sections 1.04(b) and 7.03 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Agent.

8.03 Agent as Lender.

(a) With respect to the Loans made by it hereunder, the Agent in its individual capacity and not as Agent shall have the same rights and powers as any other Lender and may exercise the same as though it were not an Agent, and the Agent and its Affiliates may hold the capital stock of, lend money to and generally engage in any kind of business with the Borrower or any of the Subsidiaries or Affiliate thereof as if it were not an Agent.

8.04 Expenses of Agent.

(a) Each Lender agrees (i) to reimburse the Agent, on demand, in the amount of, if the Tranche A Loans are outstanding, its Pro Rata Percentage of, and if the Tranche B Loans are outstanding, its pro rata share (based on the amount of its Tranche B Loans and available Tranche B Commitments hereunder) of, any expenses incurred after the date hereof, for the benefit of the Tranche B Lenders by the Agent, including counsel fees and compensation of agents and employees paid for services rendered on behalf of the Lenders, that shall not have been reimbursed by the Borrower and (ii) to indemnify and hold harmless the Agent and any of its partners, members, managers, directors, officers, employees or agents, on demand, in the amount of such pro rata share, from and against any and all liabilities, taxes, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by or asserted against it in its capacity as Agent or any of them in any way relating to or arising out of this Agreement or any other Loan Document or action taken or omitted by it or any of them under this Agreement or any other Loan Document, to the extent the same

shall not have been reimbursed by the Borrower; provided that no Lender shall be liable to an Agent or any such other indemnified person for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements that are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Agent or any of its partners, members, managers directors, officers, employees or agents.

8.05 Independent Credit Analysis by Lenders.

(a) Each Lender acknowledges that it has, independently and without reliance upon the Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement or any other Loan Document, any related agreement or any document furnished hereunder or thereunder.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first written above.

1818 FUND II, L.P., as Agent

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

By:

Name: Walter Grist
Title:

1818 FUND II, L.P., as Lender

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

By:

Name: Walter Grist
Title:

NISSHO IWAI CORPORATION, as Lender

By:

Name:
Title:

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first written above.

VAALCO ENERGY, INC.

By:

Name:
Title:

APPENDIX A

DEFINED TERMS

General Definitions. Wherever used in this Agreement, the following terms have the meanings specified or referred to below:

"Additional Shares" has the meaning specified in Subsection 1.02(c).

"Additional Warrant" has the meaning specified in Subsection 1.02(c).

"Affiliate" means, in respect of any Person, any other Person directly

or indirectly Controlling, Controlled by or under common Control with, such Person;

"Agent" has the meaning specified in the preamble;

"Aggregate Commitment" means, collectively, the Aggregate Tranche A Commitments and the Aggregate Tranche B Commitments;

"Aggregate Tranche A Commitment" has the meaning set forth in Subsection 1.01(a).

"Aggregate Tranche B Commitment" has the meaning set forth in Subsection 1.01(b).

"Agreement " has the meaning set forth in the introductory paragraph hereto.

"Assignment" has the meaning specified in Subsection 7.04(b).

"Authority" means any national, supranational, regional or local government or governmental, administrative, fiscal, judicial, or government-owned body, department, commission, authority, tribunal, agency or entity, or central bank (or any entity, whether or not government owned and howsoever constituted or called, that exercises the functions of a central bank).

"Bankruptcy Code" has the meaning specified in Subsection 6.01(f).

"Business Day" means a day when banks are open for business in New York, New York.

"Borrower" has the meaning set forth in the introductory paragraph hereto.

"Commitment" means with respect to each Lender, collectively the amount set forth on Schedule II as such Lender's Tranche A Commitment, and such Lender's Tranche B Commitment, in each case as in effect from time to time.

"Common Stock" has the meaning specified in Subsection 2.02(a).

"Consent" has the meaning specified in Subsection 2.02(b).

"Control" means the power to direct the management or policies of a Person, directly or indirectly, whether through the ownership of shares or other securities, by contract or otherwise, provided that the direct or indirect ownership of fifty-one per cent (51%) or more of the voting share capital of a Person is deemed to constitute control of that Person, and "Controlling" and "Controlled" have corresponding meanings;

"Current Liabilities" means, with respect to Borrower and/or its Subsidiaries, as applicable, the aggregate of all liabilities of Borrower falling due on demand or within one year (including the portion of Long-term Debt falling due within one year);

"Debt" means, with respect to Borrower and/or its Subsidiaries, as applicable, the aggregate of all obligations (whether actual or contingent) of such Person, to pay or repay money including, without limitation: (i) all Indebtedness for Borrowed Money; (ii) the aggregate amount then outstanding of all liabilities of any party to the extent such Person guarantees them or otherwise directly or indirectly obligates itself to pay them; (iii) all liabilities of such Person (actual or contingent) under any conditional sale or a transfer with recourse or obligation to repurchase, including, without limitation, by way of discount or factoring of book debts or receivables; and (iv) all liabilities of such Person (actual or contingent) under its Articles of Incorporation or Bylaws, any resolution of its shareholders, or any agreement or other document binding on such Person to redeem any of its shares.

"Derivative Transaction" means any swap agreement, cap agreement, collar agreement, futures contract, forward contract or similar arrangement with respect to interest rates, currencies or commodity prices.

"Disbursement" has the meaning ascribed to such term in the IFC Loan Agreement.

"Dollars" and "$" means the lawful currency of the United States of America.

"ERISA" has the meaning specified in Section 2.10.

"Escrow Account Bank" has the meaning set forth in the recitals hereto.

"Etame Field" means the area 45 kilometers offshore of the southern coast of Gabon identified as the "Delimited Area" (Zone Delimitee) in the PSC, which contains hydrocarbon accumulations, in relation to which the EEA has been granted by GOG.

"Event of Default" has the meaning specified in Section 6.01.

"EEA" means the Exclusive Exploitation Authorization granted to Borrower with respect to the Etame Field through an edict by the Minister in charge of Hydrocarbons of Gabon on July 17, 2001, for a term of at least ten (10) years.

"Existing Lenders" has the meaning specified in Subsection 7.04(b).

"Gabon" means the Republic of Gabon.

"GOG" means the government of the Republic of Gabon.

"IFC" has the meaning set forth in the recitals hereto.

"IFC Indebtedness" has the meaning specified in Section 1.05.

"IFC Loan Agreement" has the meaning set forth in the recitals hereto.

"IFC Events of Default" has the meaning specified in Subsection 3.02(b).

"IFC Potential Events of Default" has the meaning specified in Subsection 3.02(b).

"IFC Loan Documents" has the meaning specified in Subsection 3.01(c).

"Indebtedness for Borrowed Money" means, with respect to Borrower and/or its Subsidiaries, as applicable, all obligations of such Person to repay money including, without limitation, with respect to: (i) borrowed money; (ii) the outstanding principal amount of any bonds, debentures, notes, loan stock, commercial paper, acceptance credits, bills or promissory notes drawn, accepted, endorsed or issued by such Person; (iii) any credit to such Person from a supplier of goods or services under any installment purchase or other similar arrangement with respect to goods or services (except trade accounts that are payable in the ordinary course of business and included in Current Liabilities); (iv) non-contingent obligations of such Person to reimburse any other person or entity with respect to amounts paid by such Person to that person or entity under a letter of credit or similar instrument (excluding any letter of credit or similar instrument issued for the benefit of such Person with respect to trade accounts that are payable in the ordinary course of business and included in Current Liabilities); (v) amounts raised under any other transaction having the financial effect of a borrowing and which would be classified as a borrowing (and not as an off-balance sheet financing) under U.S. generally accepted accounting principles applied on a consistent basis including, without limitation, under leases or similar arrangements entered into primarily as a means of financing the acquisition of the asset leased; (vi) the amount of such Person's obligations, as the case may be, pursuant to Derivative Transactions which consist of swap, collar and cap agreements entered into in connection with other Debt of such Person or VGEI, respectively, provided that for the avoidance of double counting and for so long as any such swap, collar or cap agreement is in effect, that Debt will be included in Indebtedness for Borrowed Money pursuant to the terms of the relevant Derivative Transaction and not the terms of the agreement providing for that Debt when

it was incurred; and (vii) any premium payable on a mandatory redemption or replacement of any of the foregoing obligations.

"Indemnified Parties" has the meaning specified in Section 7.15.

"Indemnity Matters" means any and all actions, suits, proceedings (including any investigations, litigation or inquiries), claims, demands and causes of action made or threatened against a person and, in connection therewith, all losses, liabilities, damages (including, without limitation, consequential damages) or reasonable costs and expenses of any kind or nature whatsoever incurred by such person (including, without limitation, expenses and fees of counsel and of any experts and agents) whether caused by the sole or concurrent negligence of such person seeking indemnification.

"Lenders" has the meaning set forth in the preamble.

"Loans" mean, collectively the outstanding Tranche A Loans and the Tranche B Loans.

"Loan Documents" has the meaning specified in Subsection 2.03(a).

"Long Term Debt" means, with respect to Borrower, that part of the Debt of Borrower the final maturity of which, by its terms or the terms of any agreement relating to it, falls due more than one year after the date of its incurrence.

"Long-term Debt to Equity Ratio" means, at any calculation date, with respect to Borrower, the result obtained by dividing Borrower's Long-term Debt by Borrower's Shareholder Equity.

"Maximum Rate" has the meaning specified in Section 7.12.

"Note" has the meaning specified in Subsection 1.01(c).

"Obligations" means, collectively, (a) the due and punctual payment by the Borrower or VII, as applicable, of (i) the principal of and premium, if any, and interest (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on the Loans, when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise, and (ii) all other monetary obligations, including fees, costs, expenses and indemnities, whether primary, secondary, direct, contingent, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), of the Borrower to the Agent or a Lender or any other Person under the Loan Documents and (b) the due and punctual payment and performance of all covenants, agreements, obligations and liabilities of the Borrower or VII, as applicable, monetary or otherwise, under or pursuant to the Loan Documents.

"Original Credit Agreement" has the meaning specified in the preamble.

"Original Lender Warrant" has the meaning specified in Subsection 1.02(b).

"Person" means any natural person, corporation, partnership, company, or other entity, whether acting in an individual, fiduciary or other capacity.

"Phase One Completion Date" has the meaning ascribed to such term in the IFC Loan Agreement as in effect on the date hereof.

"Plan" has the meaning specified in Section 2.10.

"Preferred Stock" has the meaning specified in Subsection 2.02(a).

"PSC" means the Exploration and Production Sharing Contract dated as of July 7, 1995, between the Republic of Gabon, represented by the Minister of Mines, Energy and Petroleum, and Borrower and PanAfrican Gabon (under its former name VAALCO Energy (Gabon), Inc.), collectively as the Contractor, as amended October -- , 2001.

"Project" means that certain project consisting of the development of the Etame Field in the Etame Marin block, 45 km offshore of the southern coast of Gabon and involving the re-entering and completing of three existing wells, the drilling and completing of up to three additional wells and installing of flowlines to connect the wells to a registered floating production storage and offloading tanker facility and its mooring system capable of processing up to 30,000 barrels per day and storing up to 1.1 million barrels of oil.

"Pro Rata Percentage" of any Lender at any time shall mean the percentage of the Aggregate Tranche A Commitment represented by such Lender's Tranche A Commitment. In the event the Tranche A Commitments shall have been terminated, the Pro Rata Percentages of the Lenders shall be determined by reference to the Tranche A Loans outstanding (giving effect to any assignments pursuant to Section 7.04).

"Required Lenders" shall mean, at any time, Lenders having Loans and unused Commitments representing a majority of the sum of all Loans outstanding and unused Commitments.

"Register" shall have the meaning specified in Subsection 7.04(i).

"Security Documents" has the meaning specified in Section 1.04.

"Series A Preferred Stock" has the meaning specified in Subsection 2.02(a).

"Shareholders' Equity" means, with respect to Borrower, the aggregate of: (i) the amount paid up on the share capital of Borrower; and (ii) the amount standing to the credit of the reserves of Borrower (including, without limitation, any share premium account, capital redemption reserve funds and any credit balance on the accumulated profit and loss account); after deducting from that aggregate (A) any debit balance on the profit and loss account or impairment of the issued share capital of Borrower (except to the extent that deduction with respect to that debit balance or impairment has already been made), (B) amounts set aside for dividends or taxation (including deferred taxation), and (C) amounts attributable to capitalized items such as goodwill, trademarks, deferred charges, licenses, patents and other intangible assets.

"Sponsor Escrow Account" has the meaning set forth in the recitals hereto.

"Sponsor Escrow Agreement" has the meaning set forth in the recitals hereto.

"Stockholders' Agreement" means the Stockholders' Agreement, dated as of August __, 2002 by and among VII, Borrower and NIC, as amended, supplemented or otherwise modified from time to time.

"Subordination Agreement" has the meaning specified in Section 1.05.

"Subsidiary" means (a) any corporation in which Borrower, directly or indirectly, owns more than fifty percent (50%) of the issued and outstanding securities having voting power to elect a majority of the directors of such corporation; and (b) any partnership, association, joint venture, or other entity in which Borrower, directly or indirectly, has more than a fifty percent (50%) equity interest at the time.

"Taxes" means any present or future taxes, withholding obligations, duties and other charges of whatever nature levied by any Authority.

"Tranche A Commitment" means with respect to each Lender, the amount set forth on Schedule II as such Lender's Tranche A Commitment, as in effect from time to time.

"Tranche A Loan" has the meaning specified in Subsection 1.01(a).

"Tranche B Commitment" means with respect to each Lender, the amount set forth on Schedule II as such Lender's Tranche B Commitment, as in effect from time to time.

"Tranche B Loan" has the meaning specified in Subsection 1.01(b)

"Transaction Documents" has the meaning ascribed to such term in the IFC Loan Agreement, as the same may be, amended, supplemented or otherwise modified from time to time.

"VGEI" has the meaning set forth in the recitals hereto.

"VGEI Common Stock" has the meaning specified in Subsection 2.02(b).

"VII" has the meaning set forth in the recitals.

"VII Common Stock" has the meaning specified in Subsection 2.02(c).

"Warrants" means the warrants exercisable for Common Stock issued by the Borrower to the Lenders, dated, in the case of warrants issued to 1818 Fund L.P., as of June 10, 2002, and in the case of warrants issued to NIC, as of the date hereof, as such warrants may be amended, supplemented or otherwise modified from time to time.

SCHEDULE I

Unless otherwise stated, all documents are of even date herewith.

1. "Subordination Agreement" by and between Borrower, IFC, VII and Lenders.

2. "Subordinated Pledge of Shares Agreement" by and between Borrower, VII and Agent.

3. "Charge Over Deposit Agreement" by and between Borrower and Agent and any notices required thereby or delivered thereto.

SCHEDULE II

LENDERS' COMMITMENTS

Tranche A Commitment

<TABLE>
<CAPTION>

Lender	Contact Person, and Address for Notice	Pro Rata Percentage	Commitment
<S>	<C>	<C>	<C>
1818 Fund II, L.P.	59 Wall Street New York, NY 10005-2818 Attn: Walter Grist	70%	$7,000,000
Nissho Iwai Corporation	3-1 Daiba 2-chome Minato-ku, Tokyo 135-8655 Japan Attn: Shinichi Teranishi, General Manager Energy Project Department	30%	$3,000,000

</TABLE>

Tranche B Commitment

<TABLE>
<CAPTION>

Lender	Contact Person, and Address for Notice	Pro Rata Percentage	Commitment
<S>	<C>	<C>	<C>
1818 Fund II, L.P.	59 Wall Street New York, NY 10005-2818 Attn: Walter Grist	N/A	$3,000,000

</TABLE>

SCHEDULE II-1

SCHEDULE III

FORM OF BORROWER'S CERTIFICATE

[Borrower's Letterhead]

[Date]

1818 Fund II, L.P., as Agent
59 Wall Street
New York, New York 10005-2818
Attention: Walter Grist

[Each Lender]

Gentlemen:

1. Please refer to the Amended and Restated Subordinated Credit Agreement (the "Loan Agreement") dated ____, ____, between VAALCO Energy, Inc. (the "Borrower"), 1818 Fund II, L.P. ("Agent") and the lenders from time to time party thereto. Terms defined in the Loan Agreement have their defined meanings whenever used in this certificate.

2. The Borrower irrevocably requests the disbursement of a Tranche [__] Loan on ____, ____ (or as soon as practicable thereafter) of the amount of ____ (_____) in accordance with the provisions of Section 3.03 of the Loan Agreement. You are requested to pay such amount to [the Escrow Account Bank, Account No. ____ at [Name and Address of Bank] in London, England.]/1/ [_____]/2/

3. Borrower certifies as follows:

(a) no Event of Default has occurred and is continuing;

(b) no event of default pursuant to Section 7.02 of the IFC Loan Agreement and no event or circumstance which would, with notice, lapse of time, the making of a determination or any combination thereof, become an event of default pursuant to Section 7.02 of the IFC Loan Agreement has occurred and is continuing;

(c) the proceeds of the Loan are at the date of this certificate needed by the Borrower to [fund the Sponsor Escrow Account as a condition precedent to a funding in the same amount to VGEI under the IFC Loan Agreement to be made within

- ----------
/1/ Tranche A Loans only.

/2/ Tranche B Loans only.

three (3) Business Days after this Loan for the purpose of financing costs associated with the Project];/1/ [_____]/2/

(d) since the date of the Loan Agreement nothing has occurred which (i) has and is continuing to have, or (ii) can reasonably be expected to have a material adverse effect on Borrower and its Subsidiaries taken as a whole;

(e) since December 31, 2001, the Borrower and its Subsidiaries have not incurred any material loss or liability (except such liabilities as may be incurred by the Borrower or any of its Subsidiaries in accordance with Article V);

(f) the representations and warranties made in Article II are true and correct in all material respects (except for any such representations and warranties which are qualified by their terms by a reference to materiality or material adverse affect, which representation as so qualified shall be true and correct in all respects) on and as of such date with the same effect as if those representations and warranties had been made on and as of such date;

(g) after giving effect to the Loan, neither the Borrower nor any of its Subsidiaries will be in violation of:

(i) its articles of incorporation and bylaws and/or such other constitutive documents, howsoever called;

(ii) any provision contained in any document to which Borrower or any of its Subsidiaries is a party (including the Loan Agreement) or by which Borrower or any of its Subsidiaries is bound; or

(iii) any law, rule, regulation, authorization or agreement or other document binding on the Borrower or any of its Subsidiaries directly or indirectly, limiting or otherwise restricting the Borrower`s or any of its Subsidiaries' borrowing power or authority or its ability to borrow;

(h) on and as of the date of this certificate, Borrower's Long-term Debt to Equity Ratio does not exceed 70:30; [and]

(i) the undisbursed portion of funds available to VGEI under the IFC Loan Agreement are sufficient to finance VGEI's share of costs projected to be incurred up through the Phase One Completion Date;

[(j) the Phase One Completion Date occurred on or prior to March 31, 2003;

(k) the Tranche A Loans have been repaid in full in cash on or prior to April 1, 2003; and

(l) the Borrower has delivered to the Agent and each Lender a reserve report issued by an independent petroleum engineer or other independent

authority satisfactory to the Agent in its sole discretion stating that the Etame Field [contains] at least 60,000,000 barrels of proven developed oil reserves./3/

The above certifications are effective as of the date hereof and shall continue to be effective as of the date of the Loan. If any of these certifications is no longer valid as of or prior to the date of the Loan, the Borrower undertakes to immediately notify Agent and each Lender.

Yours truly,

VAALCO ENERGY, INC.

By:

Authorized Representative

- ----------
/3/ Tranche B Loans only.

SCHEDULE III-3

EXHIBIT A

NOTE

$__,000,000.00 June 10, 2002/1/

FOR VALUE RECEIVED, the undersigned VAALCO ENERGY, INC., a Delaware corporation ("Borrower"), promises to pay to the order of or its permitted assigns - ---------- ("Lender") at its office at , or at such ---------- other place as the holder hereof may designate, in lawful money of the United States of America and in immediately available funds, the principal sum of ($__,000,000.00), or such lesser amount advanced by Lender to - ---------- Borrower under the terms of the Credit Agreement (as defined below), and to pay interest on the outstanding principal amount thereof and such other amounts owed to the Lender from time to time as set forth herein or in the Loan Documents. This Note is issued in connection with that certain Subordinated Credit Agreement between 1818 Fund II, L.P., as Lender and Borrower of even date herewith (as amended, supplemented or otherwise modified, the "Credit Agreement"), and is secured as provided therein by the Security Documents. All capitalized terms not otherwise defined herein are defined in the Credit Agreement.

PROCEDURE FOR BORROWINGS:

(a) Each advance of principal hereunder shall be made upon Borrower's irrevocable written notice delivered to Agent and Lender (each a "Borrowing Notice"); which notice must be received by Lender prior to 9:00 a.m. (Central time) ten (10) days prior to the date of the requested advance except Agent and as consented to by Lender.

(b) Each Borrowing Notice shall specify (i) the amount of principal to be advanced, which shall be in an aggregate minimum amount of $2,000,000 or any multiple integrals of $100,000 in excess thereof; provided, however, that if the outstanding Tranche A Commitment or Tranche B Commitment, as applicable, is less than said amount, the minimum principal amount to be advanced shall equal the balance of the unused Tranche A Commitment or Tranche B Commitment, as applicable; (ii) whether the amount to be advanced is to be a Tranche A Loan or a Tranche B Loan and (iii) the requested date principal is to be advanced which shall be a Business Day. Any amounts repaid under this Note may not be reborrowed.

- ----------
/1/ Notes issued to Original Lender only.

EXHIBIT A-1

INTEREST:

Borrower agrees to pay interest to the Agent at the address listed in the Credit Agreement on the unpaid principal outstanding under this Note and, to the extent permitted by law, the accrued interest in respect hereof from time to time from the date hereof until payment in full of the principal amount hereof and accrued interest hereon, at a rate equal to (i) ten percent (10%) per annum, compounded annually, from the period beginning on the date hereof and ending on the earlier of nine (9) months from the First Sale of Production (as defined in the Senior Loan Documents as in effect on the date hereof) and eighteen (18) months following the date hereof and (ii) fourteen percent (14%) per annum, compounded annually for the period beginning on the date next succeeding the period referred to in clause (i) and ending when the full principal amount hereof and accrued interest hereon have been paid in full. Interest shall be computed on the basis of a 360-day year, actual days elapsed, unless such calculation would result in a usurious rate, in which case interest shall be computed on the basis of a 365/366-day year, as the case may be, actual days elapsed. Interest shall be payable in respect of the Tranche A Loans, in a single payment on the "Tranche A Maturity Date" as hereinbelow defined and in respect of the Tranche B Loans, in a single payment on the "Tranche B Maturity Date" as hereinbelow defined.

Notwithstanding the foregoing provisions of this Section, but subject to applicable law, any overdue principal of and overdue interest on this Note shall bear interest, payable on demand in immediately available funds, for each day from the date payment of principal or interest was due to the date of actual

payment, at the then current rate of interest plus 2.0% per annum, and, upon and during the continuance of an Event of Default, this Note shall bear interest, from the date of the occurrence of such Event of Default until such Event of Default is cured or waived, payable on demand in immediately available funds, at the then current rate of interest plus 2.0% per annum.

REPAYMENT AND PREPAYMENT:

(a) Repayment of Tranche A Loans. To the extent not sooner paid, the unpaid principal balance of the Tranche A Loans outstanding under this Note, together with all accrued but unpaid interest on such Tranche A Loans and outstanding expenses hereunder and under the Loan Documents shall be due and payable on the earliest of (i) the Phase One Completion Date, (ii) March 31, 2005; and (iii) the date that all principal and accrued and unpaid interest shall become due and payable pursuant to Article VI of the Credit Agreement (the "Tranche A Maturity Date").

(b) Repayment of Tranche B Loans. To the extent not sooner paid, the unpaid principal balance of the Tranche B Loans evidenced by this Note, together with all accrued but unpaid interest on such Tranche B Loans and outstanding expenses hereunder and under the Loan Documents shall be due and payable on the earliest of (i) the first anniversary of the date the initial Tranche B Loan is made to the Borrower and (ii) the date that all principal and accrued and unpaid interest shall become due and payable pursuant to Article VI of the Credit Agreement (the "Tranche B Maturity Date").

(c) Application of Payments. Each payment made on this Note shall be credited first, to any interest then due and second, to the outstanding principal balance hereof.

(d) Prepayment. Borrower may prepay this Note plus accrued and unpaid interest hereon provided that all terms in the Credit Agreement and herein are complied with, at any time upon one day prior notice and in the minimum amount of One Hundred Thousand Dollars ($100,000); provided, however, that if the outstanding principal balance of such portion of this Note plus accrued and unpaid interest hereon is less than said amount, the minimum prepayment amount shall be the entire outstanding principal hereof.

(e) Mandatory Prepayment. In the event that IFC has not made a Disbursement pursuant to the IFC Loan Agreement in an amount equal to or greater than a Tranche A Loan made hereunder within three (3) Business Days of the funding of such Tranche A Loan pursuant to Section 1.01(a) of the Credit Agreement, Borrower shall immediately notify Agent and Lender and shall repay such loan plus interest accruing thereon to Agent for the benefit of Lender upon three Business Days written demand from Lender. Further, (i) Borrower shall prepay all outstanding Tranche A Loans on a pro rata basis, in amounts equal to any amounts released by IFC under the Sponsor Escrow Account other than the amounts described under the first sentence of this subsection (e) and (ii) Borrower shall prepay all outstanding Loans on a pro rata basis with (x) the net proceeds of any debt or issuance of securities received by Borrower in excess of Thirteen Million Dollars ($13,000,000), and (y) to the extent not prohibited under the IFC Loan Agreement (as in effect on the date hereof) or the Stockholders' Agreement, ninety percent (90%) of the Free Cash Flow from the Project. For purposes of this subsection (e), "Free Cash Flow" shall mean cash flow from the Project net of amounts required to maintain the PSC in full force and effect. All amounts prepaid shall first be applied to accrued and unpaid interest and then to outstanding principal.

EVENTS OF DEFAULT:

(a) Events of Default. The occurrence of an Event of Default under the Credit Agreement shall constitute an "Event of Default" under this Note.

(b) Remedies. Upon the occurrence of any Event of Default, the Agent and the Lender shall be entitled to such remedies as set forth in the Credit Agreement.

MISCELLANEOUS:

(a) Governing Law.

(i) This Note is governed by and shall be construed in accordance with the laws of the State of New York and applicable Federal Law.

(ii) For the exclusive benefit of the Agent and the Lender, Borrower irrevocably agrees that any legal action, suit or proceeding arising out of or relating to this Note or any other Loan Document to which Borrower is a party may be brought by the Agent or the Lender, in its sole discretion, in the courts of the State of New York, the United States for the Southern District

of New York, or England. By the execution of this Note, Borrower irrevocably submits to the non-exclusive jurisdiction of such courts in any such action, suit or proceeding. Final judgment against Borrower in any such action, suit or proceeding shall be conclusive and may be enforced in any other jurisdiction, including Gabon, London, New York and Delaware, by suit on the judgment, a certified or exemplified copy of which shall be conclusive evidence of the judgment, or in any other manner provided by law.

(iii) Nothing in this Note shall affect the right of Lender to commence legal proceedings or otherwise sue Borrower in Gabon, London, New York, Delaware or any other appropriate jurisdiction, or concurrently in more than one jurisdiction, or to serve process, pleadings and other papers upon Borrower in any manner authorized by the laws of any such jurisdiction.

(iv) Borrower hereby irrevocably designates, appoints and empowers the Chief Executive and the Head of the Litigation Group of Bird & Bird located at 90 Fetter Lance, London EC4A 1JP (reference VAAEN.0001), as its authorized agent solely to receive for and on its behalf service of the writ of summons or other legal process in any action, suit or proceeding Lender may bring in the courts of England and CT Corp., as its authorized agent solely to receive for and on its behalf service of the writ of summons or other legal process in any action, suit or proceeding Agent or Lender may bring in the courts of the Southern District of New York.

(v) As long as this Note or any other Loan Document to which Borrower is a party remains in force, Borrower shall maintain a duly appointed and authorized agent to receive for and on its behalf service of the writ of summons or other legal process in any action, suit or proceeding brought by Agent or Lender in the courts of England or in the Southern District of New York with respect to this Note or such other Loan Documents. Borrower shall keep Agent and Lender advised of the identity and location of such agent.

(vi) Borrower irrevocably waives: (x) any objection which it may have now or in the future to the laying of the venue of any action, suit or proceeding in any court referred to in this Section; and (y) any claim that any such action, suit or proceeding has been brought in an inconvenient forum.

(vii) To the extent that Borrower may be entitled in any jurisdiction to claim for itself or its assets immunity with respect to its obligations under this Note or any other Loan Document to which it is a party from any suit, execution, attachment (whether provisional or final, in aid of execution, before judgment or otherwise) or other legal process or to the extent that in any jurisdiction that immunity (whether or not claimed), may be attributed to it or its assets, Borrower irrevocably

agrees not to claim and irrevocably waives such immunity to the fullest extent now or in the future permitted by the laws of such jurisdiction.

(viii) Borrower also consents generally with respect to any proceedings arising out of or in connection with this Note or any other Loan Document to which it is a party to the giving of any relief or the issue of any process in connection with such proceedings including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which may be made or given in such proceedings.

(ix) To the extent that Borrower may, in any suit, action or proceeding brought in any of the courts referred to in Subsection (ii) or a court of Gabon, London, New York, Delaware or elsewhere arising out of or in connection with this Note or any other Loan Document to which Borrower is a party, be entitled to the benefit of any provision of law requiring Agent or Lender in such suit, action or proceeding to post security for the costs of Borrower, or to post a bond or to take similar action, Borrower hereby irrevocably waives such benefit, in each case to the fullest extent now or in the future permitted under the laws of Gabon, London, New York, Delaware or, as the case may be, the jurisdiction in which such court is located.

(x) Borrower also irrevocably consents, if for any reason Borrower's authorized agent for service of process of summons, complaint and other legal process in any action, suit or proceeding is not present in New York or England, to service of such papers being made out of those courts by mailing copies of the papers by registered air mail, postage prepaid, to Borrower at its address specified pursuant to Section 7.02 of the Credit Agreement. In such a case, Agent or Lender shall also send by facsimile, or have sent by facsimile, a copy of the papers to Borrower.

(b) Savings Clause. It is the intention of the parties to comply strictly with applicable usury laws. Accordingly, notwithstanding any provision to the contrary in this Note, the Credit Agreement, or in any other Loan Document, in no event shall this Note or any Loan Document require the payment or permit the payment, taking, reserving, receiving, collection or charging of any sums constituting interest under applicable laws that exceed the maximum

amount permitted by such laws, as the same may be amended or modified from time to time (the "Maximum Rate"). If any such excess interest is called for, contracted for, charged, taken, reserved or received in connection with this Note or any Loan Document, or in any communication by Agent or Lender or any other person to Borrower or any other person, or in the event that all or part of the principal or interest hereof or thereof shall be prepaid or accelerated, so that under any of such circumstances or under any other circumstance whatsoever the amount of interest contracted for, charged, taken, reserved or received on the amount of principal actually outstanding from time to time under this Note shall exceed the Maximum Rate, then in such event it is agreed that: (i) the provisions of this paragraph shall govern and control; (ii) neither Borrower nor any other person or entity now or hereafter liable for the payment of this Note or any Loan Document shall be obligated to pay the amount of such interest to the extent it is in excess of the Maximum Rate; (iii) any such excess interest which is or has been received by Agent for the benefit of Lender or Lender,

notwithstanding this paragraph, shall be credited against the then unpaid principal balance hereof or thereof, or if this Note or any Loan Document has been or would be paid in full by such credit, refunded to Borrower; and (iv) the provisions of this Note and each Loan Document, and any other communication to Borrower, shall immediately be deemed reformed and such excess interest reduced, without the necessity of executing any other document, to the Maximum Rate. The right to accelerate the maturity of this Note or any Loan Document does not include the right to accelerate, collect or charge unearned interest, but only such interest that has otherwise accrued as of the date of acceleration. Without limiting the foregoing, all calculations of the rate of interest contracted for, charged, taken, reserved or received in connection with this Note and any Loan Document which are made for the purpose of determining whether such rate exceeds the Maximum Rate shall be made to the extent permitted by applicable laws by amortizing, prorating, allocating and spreading during the period of the full term of this Note or such Loan Document, including all prior and subsequent renewals and extensions hereof or thereof, all interest at any time contracted for, charged, taken, reserved or received by Agent for the benefit of Lender or Lender. The terms of this paragraph shall be deemed to be incorporated into each Loan Document.

To the extent that either Chapter 303 or 306, or both, of the Texas Finance Code apply in determining the Maximum Rate, Agent and Lender hereby elects to determine the applicable rate ceiling by using the weekly ceiling from time to time in effect, subject to such Person's right subsequently to change such method in accordance with applicable law, as the same may be amended or modified from time to time.

(c) Right of Setoff; Deposit Accounts. Upon and after the occurrence of an Event of Default, (i) Borrower hereby authorizes Agent and Lender, at any time and from time to time, without notice, which is hereby expressly waived by Borrower, and whether or not Agent or Lender shall have declared this Note to be due and payable in accordance with the terms hereof, to set off against, and to appropriate and apply to the payment of, Borrower's obligations and liabilities under this Note (whether matured or unmatured, fixed or contingent, liquidated or unliquidated), any and all amounts owing by Agent or Lender to Borrower (whether payable in U.S. dollars or any other currency, whether matured or unmatured, and in the case of deposits, whether general or special (except trust and escrow accounts), time or demand and however evidenced), and (ii) pending any such action, to the extent necessary, to hold such amounts as collateral to secure such obligations and liabilities. Borrower hereby grants to Agent and Lender a security interest in all deposits and accounts maintained with Agent or Lender and with any financial institution to secure the payment of all obligations and liabilities of Borrower to Agent or Lender under this Note.

(d) Subordination. Payment of this Note is subject to the terms of the Subordination Agreement.

(e) [Renewal;] Assignment. [This note is in renewal and modification but not discharge or novation of that promissory note dated June 10, 2002, from

Borrower to 1818 Fund II, L.P. in the original principal amount of $10,000,000.]/2/ Lender may assign this Note pursuant to the terms of the Credit Agreement. Borrower may not assign its rights or obligations under this Note without the prior consent of Agent and Lender.

(f) Amendment. This Note may be amended or modified only in writing signed by Borrower, Agent and Lender.

NOTICE: THIS NOTE AND ALL OTHER DOCUMENTS RELATING TO THE INDEBTEDNESS EVIDENCED HEREBY CONSTITUTE A WRITTEN LOAN AGREEMENT WHICH REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO

UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES RELATING TO THIS NOTE AND THE INDEBTEDNESS EVIDENCED HEREBY.

[The remainder of this page intentionally blank. Signature page to follow.]

- ----------
/2/ Include in Note issued to Original Lender only.

IN WITNESS WHEREOF, the undersigned has executed this Note as of the date first written above.

VAALCO ENERGY, INC.

By: _____
Name:
Title:

EXHIBIT D

FORM OF ASSIGNMENT AGREEMENT

ASSIGNMENT AGREEMENT ("Agreement") dated as of _____, 200__ between: _____ (the "Assignor") and _____ (the "Assignee").

RECITALS

A. The Assignor is a party to the Amended and Restated Credit Agreement dated as of _____, 2002 (as amended, modified or otherwise supplemented and in effect from time to time, the "Credit Agreement") among VAALCO Energy, Inc., a Delaware corporation (the "Borrower"), 1818 Fund II, L.P., a Delaware limited partnership, as Agent (the "Agent"), and each of lenders that is or becomes a party thereto as provided in Section 7.04 of the Credit Agreement (individually, together with its successors and assigns, a "Lender", and collectively, together with their successors and assigns, the "Lenders").

B. The Assignor proposes to sell, assign and transfer to the Assignee, and the Assignee proposes to purchase and assume from the Assignor, [all] [a portion] of the Assignor's [Tranche A] [Tranche B] Commitment and outstanding Loans, all on the terms and conditions of this Agreement.

C. In consideration of the foregoing and the mutual agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01 Definitions. All capitalized terms used but not defined herein have the respective meanings given to such terms in the Credit Agreement.

Section 1.02 Other Definitions. As used herein, the following terms have the following respective meanings:

"Assigned Interest" shall mean [all] [stated percentage] of Assignor's (in its capacity as a "Lender") [Tranche A] [Tranche B] Commitment including its pro rata rights and obligations under the Credit Agreement and the other Security Documents and the obligation to make [Tranche A] [Tranche B] Loans and any right to receive payments for the [Tranche A] [Tranche B] Loans outstanding under the Credit Agreement equal to the percentage share of the Aggregate [Tranche A] [Tranche B] Commitment specified on Schedule I hereto for Assignee, plus the interest and fees which will accrue from and after the Assignment Date.

"Assignment Date" shall mean , 200 .

ARTICLE II

SALE AND ASSIGNMENT

Section 2.01 Sale and Assignment. On the terms and conditions set forth herein, effective on and as of the Assignment Date, the Assignor hereby sells, assigns and transfers to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, all of the right, title and interest of the Assignor in and to, and all of the obligations of the Assignor in respect of, the Assigned Interest. Such sale, assignment and transfer is without recourse and, except as expressly provided in this Agreement, without representation or warranty.

Section 2.02 Assumption of Obligations. The Assignee agrees with the Assignor (for the express benefit of the Assignor and Borrower) that the Assignee will, from and after the Assignment Date, perform all of the obligations of the Assignor in respect of the Assigned Interest. From and after the Assignment Date: (a) the Assignor shall be released from the Assignor's obligations in respect of the Assigned Interest, and (b) the Assignee shall be entitled to all of the Assignor's rights, powers and privileges under the Credit Agreement and the other Security Documents in respect of the Assigned Interest.

Section 2.03 Consent by Agent and Required Lenders. By executing this Agreement as provided below, in accordance with Section 7.04(b) of the Credit Agreement, each of the Agent and the Required Lenders hereby acknowledge notice of the transactions contemplated by this Agreement and consent to such transactions.

ARTICLE III

PAYMENTS

Section 3.01 Payments. As consideration for the sale, assignment and transfer contemplated by Section 2.01 hereof, the Assignee shall, on the Assignment Date, assume Assignor's obligations in respect of the Assigned Interest and pay to the Assignor an amount equal to the Assignee's outstanding Loans to the extent assigned to such transferee as set forth on Schedule I hereto. An amount equal to all accrued and unpaid interest and fees attributable to the Assigned Interest shall be paid to the Assignor as provided in Section 3.02(i) and (iii) below. Except as otherwise provided in this Agreement, all payments hereunder shall be made in United States Dollars and in immediately available funds, without setoff, deduction or counterclaim.

Section 3.02 Allocation of Payments. The Assignor and the Assignee agree that (i) the Assignor shall be entitled to any payments of principal with respect to the Assigned Interest made prior to the Assignment Date, together with any interest and fees with respect to the Assigned Interest accrued prior to the Assignment Date, (ii) the Assignee shall be entitled to any payments of principal with respect to the Assigned

Interest made from and after the Assignment Date, together with any and all interest and fees with respect to the Assigned Interest accruing from and after the Assignment Date, and (iii) Borrower and Agent are instructed to allocate payments due under the Credit Agreement pro rata between Assignor and the Assignee as provided in the foregoing clauses. Each party hereto agrees that it will hold any interest, fees or other amounts that it may receive to which the other party hereto shall be entitled pursuant to the preceding sentence for account of such other party and pay, in like money and funds, any such amounts that it may receive to such other party promptly upon receipt.

Section 3.03 Delivery of Notes. Promptly following the receipt by the Assignor of the consideration required to be paid under Section 3.01 hereof, the Assignor shall, in the manner contemplated by Section 7.04 of the Credit Agreement, (i) deliver to the Borrower (or its counsel) the Note(s) held by the Assignor and (ii) notify Borrower to execute and deliver new Notes to the Assignor, if Assignor continues to be a Lender, and the Assignee, in respective principal amounts equal to the respective Commitments of the Assignor (if any) and the Assignee as set forth on Schedule I hereto after giving effect to the sale, assignment and transfer contemplated hereby.

Section 3.04 Further Assurances. The Assignor and the Assignee hereby agree to execute and deliver such other instruments, and take such other actions, as either party may reasonably request in connection with the transactions contemplated by this Agreement.

ARTICLE IV

CONDITIONS PRECEDENT

Section 4.01 Conditions Precedent. The effectiveness of the sale, assignment and transfer contemplated hereby is subject to the satisfaction of each of the following conditions precedent:

(a) the execution and delivery of this Agreement by the Assignor and the Assignee;

(b) the receipt by the Assignor of the payment required to be made by the Assignee under Section 3.01 hereof; and

(c) the acknowledgment and consent by the Agent and Required Lenders contemplated by Section 2.03 hereof.

EXHIBIT D-3

ARTICLE V

REPRESENTATIONS AND WARRANTIES

Section 5.01 Representations and Warranties of the Assignor. The Assignor represents and warrants to the Assignee as follows:

(a) it has all requisite power and authority, and has taken all action necessary to execute and deliver this Agreement and to fulfill its obligations under, and consummate the transactions contemplated by, this Agreement;

(b) the execution, delivery and compliance with the terms hereof by Assignor and the delivery of all instruments required to be delivered by it hereunder do not and will not violate any provision of any law or regulation of any Authority applicable to it;

(c) this Agreement has been duly executed and delivered by it and constitutes the legal, valid and binding obligation of the Assignor, enforceable against it in accordance with its terms;

(d) all approvals and authorizations of, all filings with and all actions by any Authority necessary for the validity or enforceability of its obligations under this Agreement have been obtained; and

(e) the Assignor has good title to, and is the sole legal and beneficial owner of, the Assigned Interest, free and clear of all liens, claims, participations or other charges of any nature whatsoever.

Section 5.02 Disclaimer. Except as expressly provided in Section 5.01 hereof, the Assignor does not make any representation or warranty, nor shall it have any responsibility to the Assignee, with respect to the accuracy of any recitals, statements, representations or warranties contained in the Credit Agreement or in any certificate or other document referred to or provided for in, or received by the Agent or any Lender under, the Credit Agreement, or for the value, validity, effectiveness, genuineness, execution, effectiveness, legality, enforceability or sufficiency of the Credit Agreement, the Note(s) or any other document referred to or provided for therein or for any failure by Borrower or any other person (other than Assignor) to perform any of its obligations thereunder prior hereto or for the existence, value, perfection or priority of any collateral security or the financial or other condition of Borrower or the Subsidiaries or any other obligor or guarantor, or any other matter relating to the Credit Agreement or any other Security Documents or any extension of credit thereunder.

Section 5.03 Representations and Warranties of the Assignee. The Assignee represents and warrants to the Assignor as follows:

EXHIBIT D-4

(a) it has all requisite power and authority, and has taken all action necessary to execute and deliver this Agreement and to fulfill its obligations under, and consummate the transactions contemplated by, this Agreement;

(b) the execution, delivery and compliance with the terms hereof by Assignee and the delivery of all instruments required to be delivered by it hereunder do not and will not violate any provision of any law or regulation of any Authority applicable to it;

(c) this Agreement has been duly executed and delivered by it and constitutes the legal, valid and binding obligation of the Assignee, enforceable against it in accordance with its terms;

(d) all approvals and authorizations of, all filings with and all actions by any Authority necessary for the validity or enforceability of its obligations under this Agreement have been obtained; and

(e) the Assignee has fully reviewed the terms of the Credit Agreement and the other Security Documents and has independently and without reliance upon the Assignor, and based on such information as the Assignee has deemed appropriate, made its own credit analysis and decision to enter into this Agreement.

ARTICLE VI

MISCELLANEOUS

Section 6.01 Notices. All notices and other communications provided for herein (including, without limitation, any modifications of, or waivers, requests or consents under, this Agreement) shall be given or made in writing to the intended recipient at its "Address for Notices" specified below its name on the signature pages hereof or, as to either party, at such other address as shall be designated by such party in a notice to the other party.

Section 6.02 Amendment, Modification or Waiver. No provision of this Agreement may be amended, modified or waived except by an instrument in writing signed by the Assignor and the Assignee, and consented to by the Agent and the Required Lenders.

Section 6.03 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. The representations and warranties made herein by the Assignee are also made for the benefit of the Agent and Existing Lenders and Borrower, and the Assignee agrees that the Agent and the Existing Lenders and Borrower are entitled to rely upon such representations and warranties.

EXHIBIT D-5

Section 6.04 Assignments. Neither party hereto may assign any of its rights or obligations hereunder except in accordance with the terms of the Credit Agreement.

Section 6.05 Captions. The captions and section headings appearing herein are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

Section 6.06 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be identical and all of which, taken together, shall constitute one and the same instrument, and each of the parties hereto may execute this Agreement by signing any such counterpart.

Section 6.07 Governing Law. This Agreement shall be governed by, and construed in accordance with, the law of the State of New York.

Section 6.08 Expenses. To the extent not paid by Borrower pursuant to the terms of the Credit Agreement, each party hereto shall bear its own expenses in connection with the execution, delivery and performance of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment Agreement to be executed and delivered as of the date first above written.

ASSIGNOR:

By:

Name:

Title:

Address for Notices:

Telephone No.:

Attention:

EXHIBIT D-6

ASSIGNEE:

By:

Name:

Title:

Address for Notices:

Telephone No.:

Attention:

ACKNOWLEDGED AND CONSENTED TO:

[Agent, if applicable]

- ---

By:

Name:

Title:

[Required Lenders, if applicable]

EXHIBIT D-7

SCHEDULE I

TO ASSIGNMENT AGREEMENT

	Assignor Retained Interest	Assignee (Assigned Interest)
a. Tranche A Commitment	$_____	$_____
b. Tranche A Loans Outstanding	$_____	$_____
c. Tranche B Commitment	$_____	$_____
d. Tranche B Loans Outstanding	$_____	$_____

EXHIBIT D-8

EXHIBIT E

FORM OF
U.S. TAX COMPLIANCE CERTIFICATE

Reference is made to the Amended and Restated Subordinated Credit Agreement (the "Credit Agreement"; unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement), dated as of , 2002, among VAALCO

ENERGY, INC. (the "Borrower"), the financial institutions from time to time parties thereto (the "Lenders"), and 1818 Fund II, L.P., as agent (in such capacity, the "Agent") for the Lenders.

The undersigned hereby certifies to the Agent and to the Borrower that:

(1) The undersigned is the beneficial owner of the Note registered in its name;

(2) The undersigned is not a bank (as such term is used in Section 881(c)(3)(A) of the Internal Revenue Code of 1986, as amended (the "Code"));

(3) The undersigned is not a "10-percent shareholder" (as such term is used in Section 881(c)(3)(B) of the Code);

(4) The income from the Note held by the undersigned is not effectively connected with the conduct of a trade or business within the United

States;

(5) The undersigned is not a controlled foreign corporation related (within the meaning of Section 864(d)(4) of the Code) to the Borrower;

(6) The undersigned is a person other than (i) a citizen or resident of the United States of America, its territories and possessions (including the Commonwealth of Puerto Rico and all other areas subject to its jurisdiction) (for purposes of this clause (6), the "United States"), (ii) a corporation, partnership or other entity created or organized under the laws of the United States or any political subdivision thereof or therein or (iii) an estate or trust that is subject to United States federal income taxation regardless of the source of its income; and

(7) The undersigned is not a natural person.

EXHIBIT E-1

We have furnished you with a certificate of our non-U.S. person status on Internal Revenue Service Form W-8 BEN. By executing this certificate, the undersigned agrees that (a) if the information provided on this certificate changes, the undersigned shall so inform the Borrower in writing within thirty days of such change and (b) the undersigned shall furnish the Borrower a properly completed and currently effective certificate in either the calendar year in which payment is to be made by the Borrower to the undersigned, or in either of the two calendar years preceding such payment.

[NAME OF LENDER]

By: _____
Title:

[ADDRESS]

Dated: _____, 200 .

EXHIBIT E-2

EXHIBIT 10.6

EXECUTION COPY

==========

INVESTMENT NUMBER 11090

Second Amendment to
Loan Agreement

between

VAALCO GABON (ETAME), INC.

and

INTERNATIONAL FINANCE CORPORATION

Dated August 23, 2002

==========

SECOND AMENDMENT TO
LOAN AGREEMENT

AGREEMENT, dated August 23, 2002 between

(1) VAALCO GABON (ETAME), INC., a corporation organized and existing under the laws of the State of Delaware, the United States of America (the "Borrower"); and

(2) INTERNATIONAL FINANCE CORPORATION, an international organization established by Articles of Agreement among its member countries including the Republic of Gabon ("IFC").

WHEREAS:

(A) Pursuant to a Loan Agreement dated April 19, 2002, as amended May 28, 2002 (as amended, the "Loan Agreement") between Vaalco Gabon (Etame), Inc. (the "Borrower") and IFC, IFC has agreed to extend to the Borrower a loan (the "IFC Loan") in a principal amount not to exceed ten million Dollars ($10,000,000), subject to the terms and conditions set forth in the Loan Agreement.

(B) The parties hereto have agreed to further amend the Loan Agreement to bring it into conformity with other Transaction Documents that are being amended on or about the date hereof.

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I

Definitions

Section 1.1. Definitions. All capitalized terms used in this Agreement (including the preamble and recitals) and not otherwise defined herein, unless the context otherwise requires, have the respective meanings given to such terms in the Loan Agreement.

Section 1.2. Interpretation. In this Agreement, unless otherwise stated or unless the context otherwise requires:

(a) headings are for convenience only and do not affect the interpretation of this Agreement;

(b) words importing the singular include the plural and vice versa;

(c) an expression importing a natural person includes any company, partnership, trust, joint venture, association, corporation or other body corporate and any Authority;

(d) a reference to a Section, Article or party is a reference to that Section or Article of, or that party to, this Agreement;

(e) a reference to a document includes an amendment or supplement to, or replacement or novation of, that document but disregarding any amendment, supplement, replacement or novation made in breach of this Agreement or the Loan Agreement;

(f) a reference to a party to any document includes that party's successors and permitted assigns; and

(g) no rule of construction applies to the disadvantage of a party because

that party was responsible for the preparation of this Agreement or any part thereof.

ARTICLE II

Amendments

Section 2.1. Amendment of Section 1.01 (Definitions). Section 1.01 of the Loan Agreement is amended as follows:

(a) by inserting each of the following new definitions in the appropriate alphabetical location:

"'NIC'	Nissho Iwai Corporation, a corporation organized and existing under the laws of Japan;"; and
"'VII'	VAALCO International, Inc., a corporation organized and existing under the laws of Delaware;";

(b) by amending each of the defined terms "1818 Fund Subordination Agreement", "Escrow Account Agreement", "Pledge of Shares", "Subordination and Share Retention Agreement" and "Sponsor" to read in full as follows:

"'1818 Fund Subordination Agreement'	the agreement entitled "Amended and Restated Subordination and Intercreditor Agreement" dated

	June 10, 2002 and amended and restated as of August 23, 2002, among IFC, 1818 Fund, NIC, the Sponsor and VII;";
"'Escrow Account Agreement'	the agreement entitled "Escrow Account Agreement" dated May 31, 2002, as amended August 23, 2002, among the Sponsor, the Escrow Account Bank and IFC pursuant to which the Sponsor Escrow Account shall be established, operated and maintained;";
"'Pledge of Shares'	the agreement entitled "Amended and Restated Pledge of Shares Agreement" dated May 31, 2002 and amended and restated as of August 23, 2002 among the Sponsor, VII and IFC;";
"'Subordination and Share Retention Agreement'	the agreement entitled "Amended and Restated Subordination and Share Retention Agreement" dated May 10, 2002 and amended and restated August 23, 2002 among the Borrower, VII, the Sponsor, NIC and IFC;"; and
"'Sponsor'	VAALCO Energy, Inc., a corporation organized and existing under the laws of Delaware;";

(c) by amending paragraphs (i), (ii) and (iv) of the defined term "Material Adverse Effect" to read in full as follows:

"(i) the Borrower, VII or the Sponsor or their respective assets or properties;

(ii) the Borrower's, VII's or the Sponsor's business prospects or financial condition;

(iv) the ability of the Borrower, VII or the Sponsor to comply with their respective obligations under this Agreement or any other Transaction Document or Project Document;"; and

(d) by amending paragraphs (h) and (i) of the defined term "Security" to read in full as follows:

"(h) a first ranking pledge by each of the Sponsor and VII of all its shares in the Borrower; and

(i) an assignment of all Affiliate Loans by the Sponsor and VII and an assignment by the Sponsor of all loans by the Sponsor to VII;"

Section 2.2. Amendment of Section 1.03 (Financial Calculations). Subsection (a) of Section 1.03 of the Loan Agreement is amended by deleting the phrase "Section 16.04 (g)" in the ninth line thereof and replacing it with the phrase "Section 20.04 (g)".

Section 2.3. Amendment of Section 7.02 (Events of Default). Subsection (x) of Section 7.02 of the Loan Agreement is amended to read in full as follows:

"(x) any of the events specified in Section 7.02 (g) through (k) or in Section 7.02 (v) occur to either of the Sponsor or VII or any of their properties, assets or share capital; provided that, in the case of Section 7.02 (k) and Section 7.02 (v), such event shall only be an Event of Default if the aggregate amount of the unpaid Debt or the final judgment, order or award, as the case may be, exceeds one million Dollars ($1,000,000) or its equivalent;".

ARTICLE III

Miscellaneous

Section 3.1. Effect. (a) All references in the Loan Agreement to "this Agreement", "herein", "hereof", "hereunder", "hereto" or expressions of like meaning shall be references to the Loan Agreement as amended by this Agreement.

(b) Except as amended hereby, the Loan Agreement shall remain in full force and effect.

Section 3.2. Confirmation and Restatement; No Waiver. (a) The Borrower hereby confirms and restates in favor of IFC all of the obligations expressed to be undertaken by it in the Loan Agreement as amended by this Agreement and covenants to observe and perform all such obligations and all the terms and conditions of the Loan Agreement as so amended as if the same were set out in full herein.

(b) Unless expressly stated herein, nothing herein shall amend or alter any obligation of the Borrower under the Loan Agreement or shall be construed as a waiver by IFC of any rights which IFC may have pursuant to the Loan Agreement.

(c) The Borrower hereby restates, as if set forth herein at length, and confirms, as of the date hereof, the representations and warranties made by it in Section 4.01 of the Loan Agreement, as amended hereby.

Section 3.3. Governing Law. This Agreement is governed by, and shall be construed in accordance with, the laws of England.

Section 3.4. Amendments. Any amendment of any provision of this Agreement shall be in writing and signed by the parties.

Section 3.5. Counterparts. This Agreement may be executed in several counterparts, each of which shall be considered an original, but all of which together shall constitute one and the same agreement.

[signatures on following page]

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed in their respective names as of the date first above written.

VAALCO GABON (ETAME), INC.

By: _____

Name: _____

Title:

_____

INTERNATIONAL FINANCE CORPORATION

By: _____

Name: _____

Title:

EXHIBIT 99.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of VAALCO Energy, Inc. (the "Company") on Form 10-QSB for the quarterly period ended September 30, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert L. Gerry, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. (s) 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 14, 2002

/s/ Robert L. Gerry

Robert L. Gerry, Chief Executive Officer

EXHIBIT 99.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of VAALCO Energy, Inc. (the "Company") on Form 10-QSB for the quarterly period ended September 30, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, W. Russell Scheirman, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. (S) 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 14, 2002

/s/ W. Russell Scheirman

W. Russell Scheirman, CEO