

VAALCO ENERGY INC /DE/  
Form DEFA14A  
May 20, 2008

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

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**

Filed by the Registrant                       Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**VAALCO ENERGY, INC.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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(1) Amount Previously Paid:

---

(2) Form, Schedule or Registration Statement No.:

---

(3) Filing Party:

---

(4) Date Filed:

---

VAALCO Energy, Inc.  
May 2008

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Safe Harbor Statement  
Important Information.

VAALCO filed with the SEC definitive proxy materials (the Proxy Materials ). The Proxy Materials contain important information about VAALCO, the

2008

Annual  
Stockholders  
Meeting

and  
our  
nominees  
and  
other  
directors  
in the

solicitation. VAALCO's stockholders are urged to read the Proxy Materials carefully. Stockholders may obtain additional free

copies of  
the

Proxy  
Materials  
and

other  
relevant  
documents

filed  
with  
the

SEC

by  
VAALCO  
through

the  
website  
maintained

by the

SEC at [www.sec.gov](http://www.sec.gov). The Proxy Materials and other relevant documents may also be obtained free of charge from VAALCO

VAALCO Energy, Inc., 4600 Post Oak Place, Suite 309, Houston, Texas 77027; or by phone at (713) 623-0801. The Proxy

Materials are also available on VAALCO's website at [www.vaalco.com](http://www.vaalco.com). The contents of the websites referenced above are not

deemed to be incorporated by reference into the Proxy Materials.

Forward-Looking Statements.

This

document

includes

forward-looking  
statements

as

defined

by

the

U.S.

securities laws.

Forward-looking statements are those concerning VAALCO's plans, expectations, and objectives for future drilling, completion

and other operations

and

activities.

All statements included in this document that address activities, events or developments that VAALCO expects, believes or anticipates will or may occur in the future are forward-looking statements.

These statements include future production rates, completion and production timetables and costs to complete well. These statements are based on assumptions made by VAALCO based on its experience perception of historical trends, current conditions, expected future

developments and other factors it believes are appropriate in the circumstances. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond VAALCO's control. These risks include, but are not limited to inflation, lack of availability of goods, services and capital, environmental risks, drilling risks, foreign operational risks and regulatory changes. Investors are cautioned that forward-looking statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements. These risks are further described in VAALCO's annual report on Form 10-K for the year ended December 31, 2007 and other reports filed with

SEC which  
can  
be  
reviewed  
at  
<http://www.sec.gov>,  
or  
which  
can  
be  
received  
by  
contacting  
VAALCO  
at  
4600  
Post  
Oak Place,  
Suite 309, Houston, Texas 77027, (713) 623-0801.  
The Securities  
and  
Exchange  
Commission  
generally  
permits  
oil  
and  
gas  
companies,  
in  
filings  
with  
the  
SEC,  
to  
disclose only  
proved reserves that a company has demonstrated by actual production or conclusive formation tests to be economically and  
legally producible under existing economic and operating conditions. In this document, we describe volumes of oil that we believe  
may be  
discovered  
in  
the  
future  
through  
our  
existing  
exploration  
program.  
These  
amounts



are  
not  
proved  
reserves  
as  
defined by  
the SEC. These estimates are by their nature more speculative than estimates of proved reserves and accordingly are subject to  
substantially greater risk of being actually realized by VAALCO.  
This presentation is being made on the afternoon of May 20, 2008. The content of this presentation contains time-sensitive  
information that  
is  
accurate  
only  
as  
of  
the  
time  
hereof.  
VAALCO  
will  
not  
be  
reviewing  
or  
updating  
the  
material  
contained herein.

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Agenda

I.

Introduction and VAALCO Overview

II.

Superior Returns and Financial Performance

III.

VAALCO's Board: Experienced, Proven and Committed

to Maximizing Stockholder Value

4

Attendees

Robert H. Allen  
Independent Director  
Audit Committee

(Chairman)

Compensation Committee (Chairman)

Robert L. Gerry  
Chairman and  
Chief Executive Officer

W. Russell Scheirman  
President, Chief Financial Officer  
and Director

Audit Committee Financial Expert as determined by the Board under SEC regulations

I.  
Introduction and VAALCO Overview

6  
VAALCO's Nominees Are the Right  
Choice

Independent and engaged Board made up of successful and experienced industry leaders

Responsible for successful implementation of corporate strategy and stock price appreciation

Broad and complementary expertise in areas critical to VAALCO's business

5 of 7 directors independent under NYSE listing requirements

All committees constituted solely of independent directors

Superior long-term value creation and financial performance

503% cumulative stockholder return over the last 5 years

Outperformed

peer  
group  
over  
each  
of  
the  
last  
6-month,  
1-year,  
3-year  
and  
5-year  
periods

31% 5-year average ROIC (among top 5% of the oil & gas industry)

66%  
revenue  
CAGR  
over  
the  
last  
5  
years

81% EBITDA CAGR over the last 5 years

Track record of superior operating achievements

82%  
success  
rate  
in  
exploration  
drilling  
since  
1998,  
when  
Etame



drilling  
began

100% success rate in the drilling and completion of development wells since 1998

50% increase in production since 2002

Strong growth expected to continue

Drilling program underway exposes VAALCO stockholders to 8x current reserves

7 planned exploration wells, 2 development wells, arrangements in place to contract for rigs

Drilling to commence this summer

1. Unless otherwise indicated, figures in this presentation are as of the market close on May 16, 2008
2. The peer group is as defined by RiskMetrics (ISS); details slide 14  
1  
2

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VAALCO Overview

Houston-based independent  
exploration and production  
company ( E&P )

Exploration activities primarily in

West Africa  
offshore Gabon,  
onshore Gabon, offshore Angola

Opportunistic minority  
participations in UK North Sea  
exploration

Production (100% oil) located  
offshore Gabon

26 full-time employees: Houston (9),  
Gabon (10) and Angola (7)

20-30 contractors worldwide  
depending on activity level  
VAALCO is an Important Presence and a  
Valued Long-Term Partner in Gabon and Angola  
Gabon  
Angola

8

### Exceptional West African Opportunity

Africa holds a significant and growing portion of world oil reserves

By 2010, West Africa is expected to account for 1 of 3 new barrels pumped worldwide and by 2015, the U.S. is projected to import 25% of all its oil from Africa, up from 15% in 2007

8% of global proved reserves

High proportion of new field discoveries

Strong reserve growth of discovered fields

Gabon

Long history of energy production under stable contract terms

Former French colony independent since 1960 under French civil law

Population 1.3 MM (about size of Colorado)

Angola

Oil sales and related activities constitute approximately one-half of GDP and 90% of exports

Has emerged as a major African oil producer following the end of the country's civil war in 2002

One of the world's fastest growing economies because of strong production growth

Population 15.5 MM

West Central Africa Oil Endowment

Produced

13%

Reserves

18%

Mean

Undiscovered

69%

West Central Africa Reserves

Angola

61%

Congo

12%

Equatorial

Guinea

12%

Gabon

15%

9

Focused and Disciplined Business Strategy

Seek exploration opportunities in proven hydrocarbon basins where modern technology has the potential to unlock previously hidden reserves

In areas with acceptable political risk where positive

market conditions provide niche opportunities

Increase reserves primarily through the drill-bit while continually reviewing potential property and corporate acquisitions at reasonable prices

Focused primarily on West Africa asset base

Maintain financial discipline to support growth

Optimize cash flows from producing assets

Etame Marin Concession  
Efficient, Low Cost Operator with Exceptional  
Exploration and Production Track Record

10  
Exceptional Track Record and Expertise

82%  
success  
rate  
in  
exploration



drilling  
since  
1998,  
when  
Etame  
drilling  
began

100% success rate in the drilling and completion of development wells

Industry-wide, success rates are approximately 1 in 3 for exploration drilling  
VAALCO's Drilling Success Rates are

Among the Best in the Industry

1. Source: U.S. Energy Information Administration (EIA)

VAALCO Drilling History (1998 to date)

Exploration & Appraisal Wells

Development Wells

Well

Date

Field

Type

Result

Well

Date

Field

Type

Result

ET-1V

'98

Etame

Expl.

Success

ET-3H

'02

Etame

Devel.

Success

ET-2V

'99

Etame

App.

Success

ET-4H

'02

Etame

Devel.

Success

ET-3V

'01

Etame

App.  
Success  
ET-5H  
'04  
Etame  
Devel.  
Success  
ET-4V  
'01  
Etame  
App.  
Success  
ET-6H  
'05  
Etame  
Devel.  
Success  
EBO-1  
'03  
Ebouri  
Expl.  
Success  
ET-6HST  
'05  
Etame  
Devel.  
Success  
ET-5HP  
'04  
Etame  
Pilot  
Success  
ETBSM-1  
'06  
Etame  
Devel.  
Success  
EAVOM-1  
'04  
Avouma  
Expl.  
Success  
EAVOM-2H  
'06  
Avouma  
Devel.  
Success  
EAVSM-1  
'05  
Avouma

Expl.

Dry Hole

(1)

EBO-1 ST1

Ebouri

App.

Success

EBO-1 ST2

Ebouri

App.

Success

UKCS 9/28b

'07

na

Expl.

Non-Commercial

(1) Although dry, effectively proved-up additional Avouma reserves

1

11  
Current Exploration Program Represents the Highest Level  
of Exploration and Development in the Company's History

Drilling 7 exploration and 2 development wells over the next 6 to 18 months

On  
an

unrisked  
basis,  
this  
drilling  
program  
exposes  
VAALCO  
stockholders  
to  
>  
50  
MM  
net  
barrels  
(>  
8x  
VAALCO s  
current  
6.2  
MMbbl  
in  
reserves)

Even at modest success rates, potential for dramatic increases in stockholder value

Arrangements  
in  
place  
to  
contract  
for  
2  
offshore  
jackup  
drilling  
rigs  
for  
Gabon

Anticipate drilling at least 3 exploration wells and 1-2 development wells

In addition to 2 development wells already underway

2 years of preparation and  
planning with partners and  
host governments  
During this time VAALCO  
acquired and interpreted  
seismic, contracted for its  
concession in Angola and

constructed 2, \$100 MM  
 platforms for installation in  
 Gabon  
 2008 is Expected to Be a Break-Out Year for Value Creation  
 VAALCO Properties -  
 Reserves and Resources  
 Property  
 Etame  
 Marin  
 Mutamba  
 Iroru  
 Angola  
 Block 5  
 NW  
 Vulcan  
 Total  
 Proved Reserves  
 (net mmboe)  
 6.2  
 0.0  
 0.0  
 0.0  
 6.2  
 Potential of Leads in Drilling  
 Program  
 (unrisked  
 mmboe)  
 Gross  
 71.5  
 36.3  
 42.3  
 6.0  
 156.1  
 Net to VAALCO  
 17.6  
 15.7  
 16.9  
 1.5  
 51.7  
 Exploration Acentage  
 (gross)  
 Acres  
 759,040  
 270,333  
 1,410,478  
 12,000  
 2,451,851  
 GOM Blocks Equivalent  
 152  
 54

282  
2  
490

12  
Focused, Stable and Professional Management  
Over the Lengthy E&P Business Cycle  
Stock Price  
Surges  
As  
We  
Move



to  
the  
Drilling  
Phase

Precisely  
Where  
We  
are Now  
Relative Performance (%)

.  
1Q 223% YOY

.  
Plan  
6H  
after  
Eb  
seismic

.  
Write off 2V  
4Q affected by cost account,  
development spend for 05  
8

Eb/Av dev plans,  
lower  
sales  
from  
missed lifting  
AMEX app

.  
Angola PSA  
2Q NI up  
Eb  
dev plan approved  
Et extension, Eb  
dev plan,  
Angola operator

.  
FPSO contract  
Buyback & Pill  
UKCS farm-in  
Seismic  
expenses  
Cost acct benefit,  
reserve upgrade  
Av 1st oil  
Et 2 dev and 3 expl  
wells, Mut  
2 wells 4Q, Angola seeking rig  
for wells 9/28b non-comm

Av Eb  
dev plans  
complete,  
expl  
well  
.  
YE  
UKCS farm-in  
YE, reserve upgrade  
6H 1st oil  
5H 1st oil  
AMEX listing  
Eb  
disc  
Bl. 5 Award  
.  
Mut  
PSA  
IFC revolver  
1818 Fund Exit  
1.  
Russell 3000/2000  
Listed NYSE,  
approved  
UKCS  
Fortune  
Cramer  
Business Week  
-100  
0  
100  
200  
300  
400  
500  
600  
700  
800  
900  
05/19/03  
10/20/03  
03/15/04  
08/16/04  
01/18/05  
06/20/05  
11/21/05  
04/24/06  
09/25/06  
02/26/07  
07/30/07

12/31/07

II.  
Superior Returns and Financial  
Performance

14  
Superior Stock Price Performance and  
Stockholder Returns

VAALCO's stock price  
performance has exceed that of  
its  
peer

group

and

far

exceeded the broader market

over all meaningful periods

1.

The peer group is as defined by the independent

governance

and

proxy

advisory

firm

RiskMetrics

(ISS):

Brigham Exploration Co. (NasdaqNM:BEXP), Callon

Petroleum Co. (NYSE:CPE), Carrizo Oil & Gas Inc.

(NasdaqNM:CRZO), Delta Petroleum Corp.

(NasdaqNM:DPTR), Edge Petroleum Corp.

(NasdaqNM:EPEX),

TXCO

Resources,

Inc.

(NasdaqNM:TXCO), Goodrich Petroleum Corp.

(NYSE:GDP), Harvest Natural Resources Inc.

(NYSE:HNR), Pacific Ethanol, Inc. (NasdaqNM:PEIX),

PrimeEnergy

Corp. (NasdaqSC:PNRG), Quest Resource

Corp. (NasdaqNM:QRCP); peer group companies are

indexed on a market capitalization weighted basis; in this

presentation, over the 5-year measurement period, the

peer group index excludes Pacific Ethanol, Inc.

(NasdaqNM:PEIX), which entered trading on the Nasdaq

Global Market on March 24, 2005. 5-year and 3-year

relative performance charts use weekly average prices

Stockholder Returns

503%

143%

49%

61%

-100%

0%

100%

200%

300%

400%

500%

600%

VAALCO

Peer Group

S&P 500

Source: CapitalIQ

1

15  
5-Year Average ROIC  
31%  
14%  
10%  
7%  
7%  
6%



5%  
2%  
-1%  
-2%  
-5%  
0%  
5%  
10%  
15%  
20%  
25%  
30%  
35%

#1 Among Peers on 5-Year Return on  
Invested Capital (ROIC)

Using John S. Herold, Inc.'s methodology, 5-Year ROIC calculated as the 5-year weighted average of the sum of net income to common plus preferred dividends plus minority interest expense plus adj. net interest expense; over average capital employed (year-end + prior year-end / 2), calculated as the sum of: ST debt plus LT debt plus volumetric production payments plus book value of common plus book value of preferred plus minority Interest

5-Year ROIC

far in excess of peer  
group and among the highest in  
the industry

Peer Group  
Average 5%

Note: figures for Quest Resource Corporation are not available because of change in reporting periods  
Source: John S. Herold, Inc.

16  
VAALCO 5-Year Revenue Growth  
\$0  
\$20  
\$40  
\$60  
\$80  
\$100

\$120

\$140

2003

2004

2005

2006

2007

#1 Among Peers on 5-Year Revenue Growth

5-Year Revenue Growth (CAGR)

66%

59%

52%

43%

38%

36%

34%

28%

23%

-38%

-60%

-40%

-20%

0%

20%

40%

60%

80%

Note: figures for Quest Resource Corporation are not available because of change in reporting periods

Source: John S. Herold, Inc.

Peer Group

Average 31%

17  
5-Year EBITDA Growth  
\$0  
\$20  
\$40  
\$60  
\$80  
\$100

\$120  
2003  
2004  
2005  
2006  
2007

#  
2 Among Peers on 5-Year EBITDA

Growth

Note: in  
order  
to  
adjust  
for  
differences  
between  
oil  
and  
gas  
companies  
that  
use

successful  
efforts  
accounting  
and  
those  
that full  
cost

accounting (see next slide for details), EBITDA is calculated before exploration costs (commonly known as EBITDAX)

Note: figures for Quest Resource Corporation are not available because of change in reporting periods

Source: John S. Herold, Inc., CapitalIQ

Peer Group

Average 38%

5-Year EBITDA Growth (CAGR)

186%

81%

73%

69%

60%

40%

36%

34%

24%

-177%

-200%

-150%

-100%

-50%  
0%  
50%  
100%  
150%  
200%  
250%

18  
Successful Efforts Accounting, Liftings  
and the Cost Account  
1.  
Successful  
efforts  
1  
accounting

is  
the  
SEC's  
preferred  
method  
of  
accounting  
for  
exploration

use  
of the successful efforts convention results in unusually low net income in any period  
where there are exceptional exploration expenses, such as an unsuccessful well or large  
payments for the acquisition of seismic data

VAALCO uses the convention as we believe it is a more transparent way to report performance  
2.

Irregularity

in  
the  
timing  
of  
crude  
oil  
sales  
(so-called  
liftings )

results

in  
unusually  
low  
net

income in any period that a lifting is missed, and unusually high net income in periods where  
there

are  
extra  
liftings

to  
catch-up  
with  
inventory

VAALCO's

taxes  
are  
recognized  
based  
on  
barrels  
of



oil  
produced  
per  
month  
2  
,  
but  
revenues  
are  
recognized  
only  
when  
oil  
is  
sold  
(lifted)

At any time VAALCO can have up to 1.1 MM gross barrels in inventory

3.  
In  
the  
Etame  
concession,  
VAALCO  
receives  
a  
form  
of  
tax  
deduction  
for  
capital  
spending  
( costs )  
and  
can  
carry-forward  
amounts  
not  
yet  
deducted  
in  
a  
cost  
account

VAALCO

experiences higher taxes, and lower net income, in any period where there is limited capital spending and no balance in the Cost Account

1. Under the successful efforts convention, all exploration costs except those related to successful drilling are expensed in the

incurred; under the full cost convention, the cost of both successful and unsuccessful exploration efforts are fully capitalized

2. Under U.S. and Gabonese law and VAALCO's production sharing agreement (PSA) with the government of Gabon

All 3

of These Transitory Factors Impacted VAALCO's Net

Income in the First Quarter of 2008

19  
Nanes Delorme Partners  
Arguments  
Rest on Incorrect Assertions

Assertion: VAALCO's stock price has underperformed its peers

VAALCO's

stock  
price  
performance  
exceeds  
that  
of  
the  
ISS  
peer  
group  
over 6-month, 1-year, 3-year and 5-year lookbacks

5-Year Relative Performance

-100

0

100

200

300

400

500

600

700

800

3-Year Relative Performance

-50

0

50

100

150

200

250

1-Year Relative Performance

-40

-30

-20

-10

0

10

20

30

40

50

60

VAALCO

S&P 500 Index

Peer Group

20

Nanes Delorme Partners

Arguments

Rest on Incorrect Assertions

Assertion: VAALCO is undervalued on the basis of two ratios: (a) Enterprise Value (EV) / EBITDA and (b) Price / Earnings (P/E)

Nanes  
states  
these  
ratios  
to  
be  
virtually all relevant comparable valuation  
metrics ;  
however,  
Nanes  
knows

or  
should  
know  
as  
a  
self-described  
specialist  
in  
the  
oil  
and  
gas  
industry

that  
EV/EBITDA  
and  
P/E  
ratios mean  
very little in the context of small-cap E&Ps

EV / EBITDA:

EBITDA multiples  
are less useful for valuing oil and gas reserves, where  
depletion factors and exploration and development expenditures are difficult  
to  
incorporate  
in  
a  
single  
EBITDA  
multiple  
factor

John  
S.  
Herold,

Inc.  
Valuation Methodology

P/E Ratios:

oil  
industry  
earnings  
are  
frequently  
impacted  
by  
fluctuations  
in  
commodity prices, the timing of exploration costs, income tax rates that vary  
with  
the  
geographic  
location  
of  
operations,  
and  
other  
accounting  
vagaries  
associated with capital intensive businesses. As a consequence, reported  
net income and, hence P/E ratios, are of limited utility in the valuation of an  
oil company.

John S. Herold, Inc. Valuation Methodology  
E&Ps, and Smaller E&P s  
in Particular, Are Not  
Valued on the Basis of Simplistic Multiples

III.  
VAALCO's Board: Experienced, Proven  
and Committed to Maximizing  
Stockholder Value



22

VAALCO's Board: Independent,  
Engaged and Experienced

More than 100 years of  
combined experience in the  
E&P  
industry, including

international development

4 of 7 directors current or former executive officers in the industry

5 of 7 directors have served as directors of other public companies

Balanced portfolio of complementary experience:

International government relations and diplomacy

Geology and geophysics

Finance and accounting

Investment banking

Tax law  
In 2007:

8 full board meetings

Quarterly sessions with only independent directors

7 committee meetings

Audit (4)

Compensation (2)

Governance and Nominating (1)

Board closely monitors implementation of strategy and operational results

Board and all committee meetings conclude with an executive session of independent directors only

5 of 7 directors are independent under NYSE

listing requirements

The 2 others being the  
Company's CEO and CFO

All committees are  
comprised solely of  
independent directors

Audit

Compensation

Governance and  
Nominating  
INDEPENDENT  
ENGAGED  
EXPERIENCED

23

Continuing Director Nominees Possess  
Critical Skills and Experience

President since 1992; designed and implemented all of VAALCO's exploration, drilling  
and development campaigns since joining the Company in 1991

30+ years experience in the petroleum industry

Former petroleum reservoir engineer with Exxon, management consultant with McKinsey & Company  
and  
investment  
banker  
with  
Copeland,  
Wickersham  
and  
Wiley, a leading  
investment banking boutique specializing in the oil and gas industry

Member of the Audit Committee

Pioneer of Canadian oil and gas Industry; 50+ years of experience in the petroleum industry includes 10 years as President of Mobil Oil Canada Ltd.

Honors include: inductee into Petroleum Hall of Fame, Honorary Doctorate from the University  
of  
Alberta,  
named  
on  
Albertans  
who  
had  
an  
impact  
on  
the  
20  
th  
century

Current director of Softrock  
Minerals and Carma.; former Chairman of Shiningbank  
Energy Income Fund, Chairman of Serenpet, President, CEO and Chairman of Poco  
Petroleum  
Ltd.,  
President  
and  
CEO  
of  
Bowtex  
Energy  
(Canada)  
and  
Chairman  
and

CEO  
of Mobil Oil Canada

Member of the Nominating and Corporate Governance and Compensation committees

35+ years of experience in the petroleum industry

Former Ambassador to Great Britain with long standing business connections in the oil and gas industry

Provides valuable perspectives on international relations in support of VAALCO's West African exploration efforts

Continuing

Directors

Have

Been

Central

To

Success

Over

The

Long-Term

E&P

Cycle

Their Experience And Leadership Are Central To Current Drilling Program

William S. Farish

Director since 2004

Arne R. Nielsen

Director since 1989

W. Russell Scheirman

President & CFO

Director since 1991

24

VAALCO's Other Directors Are Also  
Accomplished Leaders  
Areas of Expertise

45+ years in petroleum industry

Chairman, CEO since 1997

Other Directorships

Current

Plains Exploration and Production

Integrity Bank

Former

Vice Chairman Nuevo Energy

Executive Experience

Founder, President, COO of

Nuevo Energy

SVP of Energy Assets

International

Other

Director, Texas Children's Hospital

Member, University of Texas

Advisory Council

Areas of Expertise

Tax law for international

corporations

Legislative/Regulatory affairs

Other Directorships

Former

American Exploration Company

Executive Experience

Member of the Executive

Committee, Breen Investors

Partner-in-Charge, Baker

Botts, LLP

Other

Former Assistant Secretary for

Tax Policy at the U.S. Treasury

Department

Nominated by President Reagan,

confirmed by U.S. Senate and

represented the Administration in

presenting tax policy to U.S.

Congress



Areas of Expertise

45+ years in petroleum industry

Geology and Geophysics

Operating and management  
experience in VAALCO's core  
asset locations

Other Directorships

Former

Pan-Ocean Energy

Executive Experience

MD, Chevron Africa & Mid-East

MD, Chevron Africa

Deputy MD Europe, Chevron

VP of Geoman, a Gulf affiliate

GM, Gulf Exploration of UKCS

Assistant to VP, Chevron

Overseas Exploration

Other

Ph.D. Geology and Geophysics

Areas of Expertise

50+ years in petroleum industry

Accounting (CPA)

Investment/Finance

Other Directorships

Current

First City Bancorporation

American Mining Congress

Former

Gulf Resources and Chemical  
Corporation

Gulf Canada Resources

Gulf Indonesia Resources

Federal Express

University of Texas Investment  
Management Company  
Executive Experience

Chairman, CEO of Gulf  
Resources

Chairman, CEO of Chemical  
Corporation  
Other

Managing Partner of Challenge  
Investment Partners

Regent Emeritus of Texas A&M

Board of Trustees of Baylor  
College of Medicine  
Robert H. Allen  
Luigi P. Caflisch  
O. Donaldson Chapoton  
Robert L. Gerry, III

25

Committed to Maximizing Stockholder Value

VAALCO's Board is always open to considering bona fide offers that would provide stockholders

with

full

and

fair  
value  
for  
their  
shares

NO  
such  
offers  
have  
been  
received

VAALCO's Board, with assistance of its financial and legal advisors, continuously reviews the Company's business plans and other value creating opportunities / strategic options

Retained  
independent  
financial  
advisors  
over  
1  
year  
ago  
and  
have  
been  
evaluating:

Concessions, farm-ins and acquisitions

Acquisitions  
of  
additional  
working  
interests  
in  
the  
Etame  
concession

Growth capital  
financing  
structures  
including  
PIPEs  
(private  
investment  
public  
equity)

Other opportunities / strategic options

Now is not the right time to sell VAALCO

Stockholders are poised to benefit from the current drilling program

Selling  
now  
would  
transfer  
the  
value  
of  
a  
potential  
discovery  
to  
the  
acquiror

E&Ps do not receive full value on resources that have not been proved-out by drilling

Uncertain market conditions (including commodity price volatility and credit market instability)  
are  
likely  
to  
inhibit  
a  
robust  
sale  
process  
and  
the  
ability  
to  
obtain  
full  
and  
fair  
value for stockholders

After  
careful  
analysis  
and  
consideration,  
in  
September

2007  
VAALCO s  
Board

with  
the  
assistance  
of  
the  
Company s  
financial  
and  
legal  
advisors

adopted  
a  
stockholders  
rights  
plan ( Poison Pill ), as an appropriate defense to prevent an opportunistic acquisition at  
prices below VAALCO s intrinsic value

26  
Why Even One Nanes Delorme / Pilatus Energy Nominee is  
Bad  
for  
Stockholders

Who  
Are

They?  
Nanes Delorme

Proxy campaign led by Julien  
Balkany, a 27-year  
old French citizen

Formed 2000 by Daryl Nanes; based in New York

Suffered \$323,510 net loss in 2007

Broker and adviser on African oil & gas  
transactions including:

Surestream  
Petroleum s  
exclusive advisor  
in a  
sale of up to 40% of its interests in the Ndunda  
Block, Democratic Republic of Congo

Sole financial advisors  
to **Afren**  
in its acquisition  
of oil & gas properties in Angola  
2

all of Afren s  
oil  
& gas assets are located in West Africa

Advisor to **Maurel**  
& Prom, a company with  
extensive oil & gas operations in Gabon and  
Congo (Brazzaville), West Africa

Self-proclaimed hedge fund formed January 2008

Affiliated with investment bank Bear Stearns  
Pilatus Energy

Founded in 2006; based in Zug, Switzerland

Purportedly  
led  
by  
Loik  
Le  
Floch-Prigent



The name of the former Elf CEO doesn't appear on their list of executives but it is he who makes all of their investment decisions.

Le Floch-Prigent  
was convicted by a French court in  
2003, sentenced to 5-years in prison and fined  
375,000 for fraud, embezzlement, bribery and a  
kickback scheme through his management of Elf  
Aquataine  
(known as the Elf Affair )  
4,5

probably the biggest political and corporate sleaze  
scandal to hit a western democracy since the  
second  
world  
war  
6

Used \$145 MM of public funds used to buy influence  
and contacts in Africa  
7

Accused of embezzling millions from Elf and using  
company  
funds  
to  
obtain  
political  
influence  
8

Le Floch-Prigent  
was convicted again 1 year ago for  
misappropriating funds in connection with a bogus  
jobs scheme, receiving a 15-month suspended  
sentence and 60,000 fine  
4

Reported to have acquired oil and gas properties in  
Mali  
and Congo  
and to be pursuing assets in  
Cameroon,  
Guinea  
and  
the  
Ivory  
Coast

1.  
Africa Energy Intelligence (AEI), The New African Oil Trail Blazers , 2/20/08
  2.  
AEI, Abbas  
I. Yousef  
Al Yousef , 12/19/07
  3.  
AEI, Le Floch-Prigent s  
New Incarnation , 12/5/07
  4.  
Reuters News, Curtain Comes Down on Final Elf Graft Trial , 5/25/07
  5.  
Associated Press, Paris Court Orders Former Elf Chairman Freed From Prison  
on Medical Grounds , 4/8/04
  6.  
The Guardian, Gigantic Sleaze Scandal Winds Up as Former Elf Oil Chiefs are  
Jailed , 11/13/03
  7.  
Associated Press, Former French Oil Chief Testifies that Money Went to  
African Leaders , 3/19/03
  8.  
Reuters News, Former Elf Head Blames Unhappy Marriage for Graft , 4/14/03
- 3  
3  
2,3

27

Why Even One Nanes Delorme / Pilatus Energy Nominee is  
Bad for Stockholders  
Significant  
Conflicts of Interest

The  
most

competitive  
and  
important  
area  
of  
activity  
for  
E&P  
companies  
is  
the  
search for prospective drilling acreage and related information (such as  
whether properties are available and seismic data)

Protecting  
this  
sensitive,  
proprietary  
information  
is  
crucial  
to  
an  
E&P  
company's success and a critical driver of value creation

We  
believe  
installing  
any  
competitor's  
paid  
representatives  
onto  
VAALCO's  
Board  
would  
inhibit  
discussion  
and  
create  
an  
untenable  
situation  
that  
limits  
meaningful  
review  
of  
VAALCO's

opportunities  
and  
prospects

In  
our  
view,  
this  
would be detrimental to stockholder value and the future of VAALCO  
Nanes Delorme Partners and Pilatus Energy Have Significant Conflicts  
of Interest  
They Do Not Belong on VAALCO's Board

28  
Why Even One Nanes Delorme / Pilatus Energy Nominee is  
Bad  
for  
Stockholders

True  
Intentions

Are  
Unknown

Pilatus acquired ~4.5% of VAALCO (just shy of  
SEC disclosure requirements) only recently,  
between November 30, 2007 and January 30,  
2008;

Nanes  
Delorme  
was  
not  
even  
formed  
until January 22, 2008

Nanes told VAALCO on at least 3 occasions  
that  
its  
unnamed  
limited  
partner  
was  
not  
a  
competitor

Pilatus  
was  
only  
identified  
May  
5,  
almost  
2 months  
after the initial 13D, and an  
amended proxy

Pilatus /Nanes  
goals are unclear; objectives  
do not seem aligned with other stockholders

Refused  
on at least 2 occasions to enter into a  
non-disclosure agreement

Refused  
an  
offer  
by  
VAALCO

made  
prior  
to  
VAALCO  
learning  
of  
Pilatus  
involvement

of  
1 Board  
seat  
and  
membership  
on  
a  
committee  
to review alternatives

Demanded  
(although a 7.9% holder): 3 Board  
seats and formation of a special committee ,  
controlled by Nanes, to review alternatives  
including a corporate sale  
Pilatus  
Nanes  
Delorme  
Nov. 28, 2007  
Jan. 16, 2008  
Purchases 1.125 MM shares  
Jan. 18 & Jan. 22, 2008 formed:  
Nanes  
Balkany  
Partners I  
Nanes  
Balkany  
Management  
Nanes  
Delorme Partners I  
Jan. 30  
Has 2.7 MM shares (~4.5%)  
Feb. 14  
Transfers all  
to Nanes  
Feb. 22  
Mar. 3  
Purchases 0.65 MM shares  
requiring 13D filing (~5.6%)  
Mar. 4



Mar. 11

Purchases 1.35 MM shares  
for a total of 4.7 MM (~7.9%)

Mar. 11 & Mar. 12

Sends letter to Board, then  
files 13D, 1 day before earn-  
ings; no mention of Pilatus

Week

of

April

7

CEO & CFO agree to meet Nanes  
on April 15; prior to meeting, on  
April 11, Nanes  
notifies VAALCO

it will seek its own directors

April 15 -

April 22

Balkany

refuses to identify

unnamed, secret limited partner;

tells VAALCO its partner is

not

in the oil & gas business

April 24

-

VAALCO

files

Proxy

April 25

-

Nanes

files

preliminary

proxy; does

not

identify Pilatus

May 5

-

Nanes

files

amended

preliminary proxy revealing  
identity of limited partner as

Pilatus Energy

29  
Why Even One Nanes Delorme / Pilatus Energy Nominee is  
Bad  
for  
Stockholders

No  
Substantive

Ideas

Nanes other stated ideas for VAALCO make little sense:

Core  
asset  
divestitures

What  
assets,  
short  
of  
a  
sale  
of  
the  
entire  
company,  
does  
Nanes  
Delorme propose to divest?

Nanes Delorme itself states that VAALCO is a company which has first class oil and gas properties, with a balanced portfolio of assets and substantial exploration upside in Angola and Gabon, which generates significant cash flow

Alternative  
listings

Nanes  
Delorme  
provides  
no  
support  
whatsoever  
for  
its  
assertion  
that  
share performance would be affected by an alternative listing

Clear  
proof  
to  
the  
contrary

superior  
stockholder  
returns

and  
operating  
performance

Flowback  
likely to lead to stock price declines

Cease  
North  
Sea  
activity

VAALCO's

North  
Sea  
activity  
is

a  
small  
part  
of  
our  
overall

business and is consistent with our strategy of obtaining new assets in politically stable regions where modern technology has the potential to unlock previously hidden reserves

70 discoveries currently in the appraisal or development stage representing ~ 3 billion barrels of oil equivalent  
new entrants are involved in 46 of these projects<sup>1</sup>

Well understood geology resulting in low exploration risk and high drilling success rates

Government policies encourage new entrants and accelerated E&P

Move  
headquarters  
to  
London,  
Paris  
or  
Geneva  
and  
close  
office  
in  
Aberdeen

Houston  
is

widely  
known  
as  
the  
oil  
capital  
of  
the  
world,  
with  
an  
unsurpassed  
pool  
of  
talent  
and  
a  
low  
cost  
of  
living  
(the  
same  
cannot  
be  
said  
for  
London,  
Paris  
or  
Geneva)

Aberdeen  
is  
where  
all  
of  
the  
drilling  
professionals  
for  
VAALCO's  
operations  
are  
based  
and  
is  
an  
established international center for drilling expertise  
1. Hannon Westwood, May 2008

30

Nanes

Nominees Add No

Significant

Skills or Experience

Leonard Toboroff

Current director of Engex, a closed-end investment

company focused on the biotechnology, technology, gaming and distribution industries (market capitalization of \$9 MM), NOVOT, a former developer of treatments for vascular diseases (no significant current operations) and SP Acquisition, a blank-check acquisition company (no significant operations)

Director and Vice-Chairman of Allis-Chalmers Energy, which provides drilling equipment to the onshore domestic energy industry  
W. Russell Scheirman

Designed and implemented all of VAALCO's exploration, drilling and development campaigns since joining the Company in 1991

30+ years experience in the petroleum industry

Former petroleum reservoir engineer with Exxon, consultant with McKinsey & Company and investment banker  
Clarence Cottaman  
III

PetroFalcon  
Board member since June 2003; since 2005, stock has fallen from a high of C\$5.90 to C\$1.50; operating at a loss for the last 2 years

Expertise already well represented on VAALCO's Board  
Arne R. Nielsen

50+ years experience in the petroleum industry

Inductee into the Petroleum Hall of Fame

Extensive operating and Executive Management industry experience, including 10 years as President of Mobil Oil Canada  
Julian Balkany

Age 27

Managing Director, Nanes Delorme, oil & gas M&A investment broker to VAALCO's competitors

No public company executive or Board experience  
William S. Farish

Former Ambassador to Great Britain

Long standing industry business connections

35+ years experience in the petroleum industry

Valuable perspectives on international relations in support of VAALCO's West African efforts



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VAALCO's Nominees Are the Right  
Choice

Independent and engaged Board made up of successful and experienced industry leaders

Responsible for successful implementation of corporate strategy and stock price appreciation

Broad and complementary expertise in areas critical to VAALCO's business

5 of 7 directors independent under NYSE listing requirements

All committees constituted solely of independent directors

Superior long-term value creation and financial performance

503% cumulative stockholder return over the last 5 years

Outperformed peer group over each of the last 6-month, 1-year, 3-year and 5-year periods

31% 5-year average ROIC (among top 5% of the oil & gas industry)

66% revenue CAGR over the last 5 years

81% EBITDA CAGR over the last 5 years

Track record of superior operating achievements

82% success rate in exploration drilling since 1998, when Etame drilling began

100% success rate in the drilling and completion of development wells since 1998

50% increase in production since 2002

Strong growth expected to continue

Drilling program underway exposes VAALCO stockholders to 8x current reserves

7 planned exploration wells, 2 development wells, arrangements in place to contract for rigs

Drilling to commence this summer

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VAALCO Energy, Inc.

Exceptional Exploration Track Record

Efficient, Low Cost Operator

Large, High Prospectivity

Exploration Portfolio

Strong Cash Flow for Exploration, Production and Acquisitions