

VAALCO ENERGY INC /DE/  
Form DEFR14A  
May 08, 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 Revised 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.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

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(3) Filing Party:

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(4) Date Filed:

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VAALCO Energy, Inc.

4600 Post Oak Place Suite 309

Houston, Texas 77027

Tel: (713) 623-0801 Fax: (713) 623-0982

May 8, 2008

Dear Fellow Stockholder:

As you may be aware, a New York based hedge fund, Nanes Delorme Partners I LP, has initiated a costly and disruptive proxy contest in an attempt to install its own paid nominees onto your Board of Directors.

Nanes Delorme Partners only recently purchased its shares, and more than half of these were purchased by its newly revealed secret partner Pilatus Energy S.A. an oil and gas company headquartered in Zug, Switzerland, whose purported leader was convicted and sentenced by a French court to five years in prison for fraud, embezzlement, bribery and kickbacks in the biggest political and corporate sleaze scandal to hit a western democracy since the second world war.<sup>2</sup> **We strongly believe that the objectives of Nanes Delorme Partners and Pilatus Energy are very different from your objectives.**

To protect the value of your investment and VAALCO's future, your Board of Directors unanimously recommends that stockholders vote the enclosed **WHITE** proxy card **FOR all of your Board's director nominees** W. Russell Scheirman, Arne R. Nielsen and William S. Farish at the 2008 Annual Meeting of Stockholders. We also urge you to discard any materials and gold cards you receive from Nanes Delorme Partners.

#### **VAALCO'S BOARD AND MANAGEMENT HAVE A TRACK RECORD OF DELIVERING**

#### **SUPERIOR STOCKHOLDER RETURNS**

Since year-end 2000, VAALCO's year-over-year stock price has increased in every year but one. A \$10,000 investment in VAALCO from that time is worth in excess of \$170,000 today, a 17x increase in value (representing a 47% compound annual growth rate).

VAALCO has also consistently outperformed the S&P 500 Index and the Company's peer group<sup>3</sup> over the last six month, one, three and five year periods, as the charts at the end of this letter show.

#### **OUR TRACK RECORD OF VALUE CREATION EXISTS BECAUSE VAALCO'S BOARD AND**

#### **MANAGEMENT KNOW HOW TO DISCOVER AND PRODUCE OIL AND GAS**

Since 2000, 80% of the exploration and appraisal wells drilled by the Company have been successful.

We have had a 100% success rate on our development wells on the Etame Block, our principal producing asset.

We brought our Etame discovery on production in late 2002 at 15,000 barrels per day. Since then, we have increased production rates by 50%, with current production rates of 22,500 barrels oil per day. We expect further year-over-year production increases in 2008 and 2009.

<sup>1</sup> Le Floch-Prigent's New Incarnation, Africa Energy Intelligence, 12/05/2007

<sup>2</sup> Gigantic Sleaze Scandal Winds Up as Former Elf Oil Chiefs Are Jailed, The Guardian, 11/13/2003. Permission to use quotation neither sought nor obtained

<sup>3</sup> VAALCO peer group as defined by the independent governance and proxy advisory firm RiskMetrics (ISS)



**OUR EXPLORATION AND DEVELOPMENT SUCCESSES HAVE BEEN ACCOMPLISHED**

**WHILE MAINTAINING A STRONG FINANCIAL POSITION**

As a company that grows through the drill bit, it is imperative that VAALCO maintains a solid balance sheet and financial flexibility. Your Board and management team have a proven record in this regard as well.

We have a healthy balance sheet and a pattern of delivering consistent growth in revenues, cash flows and earnings in nearly every year.

VAALCO's return on invested capital (ROIC) is in the top 5% of its industry.

**VAALCO IS EXCEPTIONALLY WELL-POSITIONED FOR**

**CONTINUED GROWTH AND SUCCESS**

Over the last 18 months, your Board and management team have laid the foundation necessary for significant increases in reserves and production. We have arranged for rigs and have concrete plans to drill seven exploration wells over the next twelve to eighteen months in areas that have similar geologic characteristics to those we have successfully explored and developed in the past.

This current exploration program has the potential to add in excess of 50 million net barrels (after expected royalties) to our current 6.2 million barrels of proved reserves, **an eight-fold potential increase**. Even at a modest success rate, there exists the likelihood for dramatic increases in reserves and production over the near term.

We also have access to 2.4 million acres for future exploration projects. This portfolio located in the highly desirable oil and gas producing region of coastal West Africa is roughly equivalent to 490 exploration blocks in the Gulf of Mexico.

We expect significant near term value creation for VAALCO stockholders as this drilling program advances over the next months.

**WE BELIEVE THE OBJECTIVES OF NANES DELORME PARTNERS AND PILATUS**

**ENERGY ARE VERY DIFFERENT FROM YOUR OBJECTIVES**

Despite these operational and financial achievements, Nanes Delorme Partners (led by a 27-year-old French citizen) has provided notice that it intends to nominate three of its own hand-picked representatives to VAALCO's Board. This action, if successful, could significantly influence the direction of your company. **We therefore urge you to read the following carefully:**

While Nanes Delorme Partners claims to hold 4.7 million shares of VAALCO's stock, the majority of these shares were actually transferred from Pilatus Energy and all of these shares were only recently purchased late in the fourth quarter of 2007 and during the first quarter of 2008.

According to press reports<sup>1</sup>, Pilatus Energy is controlled by Loik Le Floch-Prigent, the former chairman of Elf Aquitaine S.A., who was convicted by a French court in 2003 of embezzlement and corruption in one of the largest corporate scandals in modern business history.

Nanes Delorme Partners tried to keep the identity of its partner, Pilatus Energy, a secret and assured VAALCO that its secret partner was **not** a business competitor. Only very recently did Nanes Delorme Partners reveal the identity of Pilatus Energy through its proxy filings with the Securities and Exchange Commission.



Nanes Delorme Partners is well aware of the significant near-term upside inherent in VAALCO's current exploration portfolio. It is only now, when VAALCO's stockholders are poised to realize this value, that Nanes Delorme Partners and Pilatus Energy have begun pushing for an opportunistic sale of the Company.

Nanes Delorme Partners is paying two of its nominees \$25,000 simply to stand for election and additional monies if they fail. While Nanes Delorme Partners' nominees may have no affiliation with your company, these payments show that they are by no means independent from Nanes Delorme Partners.

Given these facts, we believe stockholders should share the Board's deep concerns about the true objectives of Nanes Delorme Partners and its investment partner, Pilatus Energy.

#### **NANES DELORME PARTNERS AND PILATUS ENERGY ARE BUSINESS COMPETITORS**

##### **TO VAALCO, CREATING SERIOUS CONFLICTS OF INTEREST**

VAALCO stockholders should be aware that Pilatus Energy's oil and gas operations are focused on West and Central Africa—competitive with VAALCO's core operations.

Further, Nanes Delorme has a history of brokering the sale of oil and gas assets, including those of VAALCO's competitors. In fact, Nanes Delorme is acting as Surestream Petroleum's exclusive advisor in a potential sale of up to 40% of its working interest in the Ndunda Block, onshore Democratic Republic of Congo<sup>4</sup>.

These facts create a serious conflict of interest for Nanes Delorme Partners and Pilatus Energy—particularly if Nanes Delorme Partners' nominees (including its 27-year-old employee) are elected to the VAALCO Board and have unfettered access to your company's confidential and proprietary business information. Indeed, **providing a board seat to a competitor (as we now understand Nanes Delorme Partners and Pilatus Energy to be) would almost certainly give them the opportunity to misuse VAALCO's confidential and proprietary information.**

#### **NANES DELORME PARTNERS HAS MADE FALSE AND MISLEADING STATEMENTS**

In its proxy statement and other filings, Nanes Delorme Partners has made a series of false and misleading statements in an attempt to garner your vote. Here are the facts:

**False Claim:** Nanes Delorme Partners claims that your Board may have rebuffed private inquiries to sell the Company at a premium to the current market price.

**The Truth:** VAALCO's Board is always open to considering bona fide offers that would provide stockholders with full and fair value for their shares, but **NO such offers have been received.**

**False Claim:** In its proxy materials, Nanes Delorme Partners uses complicated formulas and analyses to imply that VAALCO's stock price and EBITDA have underperformed comparable companies.

**The Truth:** When comparing VAALCO to its actual peers, your company has outperformed its peers<sup>3</sup> over the last six month, one, three and five year periods, as the charts at the end of this letter show.

<sup>4</sup> Nanes Delorme Capital Advises Surestream Petroleum on the Farm Out of Part of Its Interest in the Ndunda Block, Onshore DRC, Nanes Delorme Capital Management LLC press release, 10/31/2007



**VAALCO S BOARD IS COMMITTED TO MAXIMIZING STOCKHOLDER VALUE.**

**NOW IS CLEARLY NOT THE TIME TO SELL VAALCO**

As part of its platform, Nanes Delorme Partners says its nominees would seek to initiate a process to sell VAALCO. Together with the Company s independent financial and legal advisors, we regularly review the Company s business plan in the context of other value creating alternatives that might be available. **Our reviews make it clear that a sale of the Company at this time is NOT in stockholders best interests.**

It makes no sense to sell an exploration company just prior to its initiation of a major drilling program. To do so would transfer the value of any potential discovery to the buyer and deprive the Company s stockholders from realizing a full return on their capital investments.

We also recognize that the recent crisis in the credit markets, brought on by ill advised investment strategies by hedge funds and others, has substantially reduced acquisition activity and financing capabilities. We believe these factors would inhibit a robust sale process that would deprive VAALCO stockholders from receiving full and fair value for their shares.

**VAALCO S DIRECTOR NOMINEES ARE EXPERIENCED, RESPECTED AND COMMITTED**

**TO ACTING IN THE BEST INTERESTS OF ALL VAALCO STOCKHOLDERS**

Our slate is comprised of respected and proven leaders, each of whom have at least thirty years of professional experience in the oil and gas industry, far outweighing any industry experience that Nanes Delorme Partners nominees may claim.

Mr. W. Russell Scheirman, your company s President and Chief Financial Officer and formerly with Exxon Corporation and a consultant at McKinsey & Company, who along with the full Board and other key executives has guided the Company to its achievements and milestones.

Mr. Arne R. Nielsen, the former President of Mobil Oil Canada with a subsequent successful entrepreneurial track record in the Canadian oil industry. Mr. Nielsen has been a VAALCO director since March 1989.

Mr. William S. Farish, the former ambassador to Great Britain with long standing business connections in the oil and gas industry, having been a director at and investor in numerous oil and gas companies. Mr. Farish has been a VAALCO director since 2004. We encourage you to read the full biographies of all your Board s director nominees in the proxy statement previously mailed to stockholders.

**At a time of record demand for oil and the price increases that result, VAALCO has a robust drilling program in place and our stockholders are poised to capitalize on the investments we have made.** We encourage you to protect your investment and support VAALCO s Board of Directors and management by signing, dating and returning the WHITE proxy card today.

We ask you not to sign and return any proxy card or voting instruction card that you may receive from Nanes Delorme Partners. Your vote is very important, regardless of how many shares you own.

On behalf of VAALCO s Board of Directors, I thank you for your support.

Sincerely,

Robert L. Gerry, III

Chairman and Chief Executive Officer









**Important Information**

In connection with this solicitation of proxies, VAALCO filed with the SEC a definitive proxy statement dated April 14, 2008 and is filing revised definitive proxy materials dated May 8, 2008 (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 at 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.

VAALCO and its directors are participants in the solicitation of proxies in connection with the 2008 Annual Stockholders Meeting. Enclosed with the letter to stockholders is information concerning VAALCO's participants in the solicitation.

### **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 the 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 letter, 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.

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**PARTICIPANT INFORMATION**

The Company and its directors are participants in a solicitation of proxies in connection with the Company's 2008 Annual Meeting. Set forth below are the name and business address of each of the participants (except the Company) in the solicitation made pursuant to the proxy statement of VAALCO Energy, Inc. ( Company ). The number of shares of common stock beneficially owned by each director as of April 14, 2008 is set forth under Stock Ownership Information in our proxy statement dated April 24, 2008, except that our proxy statement inadvertently misstated the number of shares beneficially owned by Robert L. Gerry, III and Luigi Cafilisch. Mr. Gerry beneficially owns 2,096,165 shares of common stock, which includes 620,167 shares that may be acquired subject to options exercisable within 60 days and 856,000 shares held in a trust of which Mr. Gerry is a trustee and beneficiary. Mr. Cafilisch beneficially owns 29,000 shares of common stock, which includes 25,000 shares that may be acquired subject to options exercisable within 60 days.

<b>Name</b>	<b>Principal Occupation and Business Address</b>	<b>Principal Business of Employer</b>
Robert H. Allen	Managing Partner  Challenge Investment Partners  1200 Smith Street, Suite 1111  Houston, TX 77002	Partnership active in mining ventures in Canada, Greenland, Mexico, South America and Indonesia
Luigi Cafilisch	Petroleum Industry Consultant  Wood End, Whisper Wood  Loudwater, Richmansworth  Herts WDL 4JU  United Kingdom	Hydrocarbon Exploration and Production
O. Donaldson Chapoton	Partner  Breen Investors, LLC  4400 Post Oak Parkway, Suite 2200  Houston, TX 77024	Asset management firm
William S. Farish	President  W.S. Farish and Company  1100 Louisiana, Suite 2200  Houston, TX 77027	Investment firm
Robert L. Gerry, III	Chairman and Chief Executive Officer  VAALCO Energy, Inc.  4600 Post Oak Place, Suite 309  Houston, TX 77027	Energy
Arne R. Nielsen	Independent Oil and Gas Consultant	Energy



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Bow Valley Square 4

1800-250 6th Avenue S.W.

Calgary, Alberta

CANADA T2P 3H7

W. Russell Scheirman    President and Chief Financial Officer    Energy

VAALCO Energy, Inc.

4600 Post Oak Place, Suite 309

Houston, TX 77027

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**INFORMATION REGARDING TRANSACTIONS IN THE COMPANY S SECURITIES BY**
**PARTICIPANTS**

The following table sets forth information with respect to all purchases and sales of shares of common stock of the Company by the participants during the past two years. None of the purchase price or market value of any of the shares purchased by the participants as reflected below was represented by funds borrowed, other than through typical margin accounts, or otherwise obtained for the purpose of acquiring or holding such securities.

<b>Participants</b>	<b>Date</b>	<b>Number of Shares of Common Stock Purchased or (Sold)</b>	<b>Footnote</b>
Robert H. Allen	06/28/06	(100,000)	(2)
	06/28/06	50,000	(1)
	06/28/06	(50,000)	(3)
	06/28/06	100,000	(1)
	06/28/06	(100,000)	(3)
	06/28/06	16,666	(1)
	06/28/06	(16,666)	(3)
Luigi Caflisch	09/06/06	3600	(5)
	09/06/06	400	(5)
	04/13/06	89,700	(1)
	04/13/06	(89,700)	(2)
	04/17/06	10,300	(1)
	04/17/06	(10,300)	(2)
Robert L. Gerry, III	12/11/07	666,667	(1)
	11/27/06	200,000	(1)
	11/20/06	(14,000)	(4)
	10/09/06	100,000	(1)
	10/09/06	(100,000)	(2)
	10/04/06	26,666	(1)
	10/03/06	(26,666)	(2)
	10/03/06	140,000	(1)
	10/03/06	(140,000)	(2)
	06/29/06	100,000	(1)
	06/29/06	(100,000)	(2)
	06/26/06	100,000	(1)
	06/26/06	(100,000)	(2)
	06/08/06	(25,100)	(2)
	06/08/06	(9,900)	(2)
	06/08/06	(400)	(2)
	06/08/06	(2,200)	(2)
	06/08/06	(6,900)	(2)
	06/08/06	(5,500)	(2)
	06/08/06	(5,000)	(2)
	06/08/06	(400)	(2)
	06/08/06	(3,300)	(2)
06/08/06	(2,400)	(2)	
06/08/06	(21,000)	(2)	
06/08/06	(400)	(2)	
06/08/06	(4,000)	(2)	
06/08/06	(400)	(2)	
06/08/06	(100)	(2)	
06/08/06	(3,000)	(2)	
06/08/06	(5,000)	(2)	

	06/08/06	(3,000)	(2)
	06/08/06	(2,000)	(2)
	05/24/06	(100)	(4)
W. Russell Scheirman	10/30/07	30,834	(1)
	10/30/07	(30,834)	(2)
	09/26/07	55,000	(1)
	09/26/07	(55,000)	(2)
	07/16/07	27,500	(1)
	07/16/07	(27,500)	(2)
	06/15/07	27,500	(1)
	06/15/07	(27,500)	(2)
	05/15/07	27,500	(1)
	05/15/07	(27,500)	(2)
	04/16/07	27,500	(1)
	04/16/07	(27,500)	(2)
	03/15/07	27,500	(1)
	03/15/07	(27,500)	(2)
	02/15/07	27,500	(1)
	02/15/07	(27,500)	(2)
	01/16/07	27,500	(1)
	01/16/07	(27,500)	(2)
	12/15/06	27,500	(1)
	12/15/06	(27,500)	(2)
	11/15/06	27,500	(1)
	11/15/06	(27,500)	(2)
	10/16/06	30,833	(1)
	10/16/06	(30,833)	(2)
	09/15/06	27,500	(1)
	09/15/06	(27,500)	(2)
	08/15/06	27,500	(1)
	08/15/06	(27,500)	(2)
	07/17/06	27,500	(1)
	07/17/06	(27,500)	(2)
	06/15/06	27,500	(1)
	06/15/06	(27,500)	(2)
	05/15/06	27,500	(1)
	05/15/06	(27,500)	(2)
	04/17/06	27,500	(1)
	04/17/06	(27,500)	(2)

- (1) Shares acquired pursuant to stock option exercise.
- (2) Open market sale.
- (3) Disposition to the issuer of issuer equity securities.
- (4) Gift of shares.
- (5) Open market purchase.

#### MISCELLANEOUS INFORMATION CONCERNING PARTICIPANTS

Except as described herein or otherwise disclosed in our proxy statement dated April 24, 2008, to the best of our knowledge:

no associate of any person listed above under Participant Information beneficially owns any shares of common stock or other securities of the Company;

no person listed above under Participant Information or any of his or her associates, is either a party to any transactions or series of similar transactions since the beginning of our last fiscal



year, or any currently proposed transaction or series of similar transactions, in which we or any of our subsidiaries was or is to be a party and the amount involved exceeds \$120,000, and in which any such person or any of his or her associates had or will have, a direct or indirect material interest;

no person listed above under Participant Information or any of his associates has entered into any agreement or understanding with any person respecting any future employment by us or our affiliates or any future transactions to which we or any of our affiliates will or may be a party;

there are no contracts, arrangements or understandings by any of the persons listed above under Participant Information within the past year with any person with respect to any securities of the Company, including, but not limited to, joint ventures, loan or option arrangements, puts or calls, guarantees against loss or guarantees of profit, division of losses or profits, or the giving or withholding of proxies;

none of the persons listed above under Participant Information owns beneficially any securities of any subsidiary of the Company;

none of the persons listed above under Participant Information owns any securities of the Company of record but not beneficially;

no person listed above under Participant Information has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon at the annual meeting;

There are no material proceedings to which any person listed above under Participant Information or any associate of any such person is a party adverse to the Company or any of its subsidiaries or has a material interest adverse to the Company or any of its subsidiaries. There are no family relationships among the directors, director nominees and executive officers of the Company.

#### ADDITIONAL INFORMATION

The Company will bear all costs of its proxy solicitation. While no precise estimate of the cost can be made at the present time, the Company currently estimates that it will spend approximately \$600,000, of which it is estimated that approximately \$200,000 has been incurred to date in connection with the Company's proxy solicitation. In addition to soliciting proxies by mail, directors of the Company, without receiving additional compensation, may solicit proxies by telephone, by other available media or in person. Arrangements will also be made with brokerage firms and other custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of shares of the common stock, and the Company will reimburse such brokerage firms and other custodians, nominees and fiduciaries for reasonable out-of-pocket expenses incurred by them in connection with forwarding such materials. The Company has retained the services of D.F. King & Co., Inc., a proxy solicitation firm, for assistance in connection with the Annual Meeting and other advisory services at an estimated cost of approximately \$100,000 plus reimbursement of reasonable out-of-pocket expenses. The Company also has agreed to indemnify D.F. King & Co., Inc. against certain liabilities and expenses. The Company estimates that approximately 50 employees of D.F. King & Co., Inc. will be involved in the solicitation of proxies on behalf of the Company.

After the Company filed definitive proxy materials, Nanes Delorme Partners filed preliminary proxy materials with the SEC in which Nanes Delorme Partners states that it intends to nominate three candidates to the Board of Directors in opposition to the Company's three incumbent directors whose terms expire at the Annual Meeting. Because the Company did not receive timely notice under Rule 14a-4(c)(1) of the Securities Exchange Act of 1934 of the nominees or any other proposals of Nanes Delorme Partners, the Company's proxies will use their discretionary authority to vote against any proposals of Nanes Delorme Partners other than the nominees for director and the approval of the Company's independent registered public accounting firm, if any such proposals are properly presented at the Annual Meeting. In addition, the Company's proxies will vote in their best judgment on any other matters that properly come before the Annual Meeting or any adjournment or postponement thereof.

**Form of Proxy Card**

**x PLEASE MARK VOTES                      REVOCABLE PROXY**

**AS IN THIS EXAMPLE                      VAALCO Energy, Inc.**

**ANNUAL MEETING OF STOCKHOLDERS**

**JUNE 4, 2008**

<p>1. PROPOSAL TO ELECT AS DIRECTORS of the Company nominees for the Class I position for a three-year term. Each director will hold office for the stated term or until his successor is elected or appointed and shall qualify.</p>	<p>For .. ..</p>	<p>With- hold ..</p>	<p>For All Except ..</p>
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This proxy is solicited on behalf of the Board of Directors of VAALCO Energy, Inc. (the Company) for the Annual Meeting of Stockholders on June 4, 2008.

Nominee: Class I (3 year term): William S. Farish, Arne R. Nielsen, W. Russell Scheirman. This will result in a total of three (3) directors being elected to the Board of Directors.

The undersigned hereby constitutes and appoints Robert L. Gerry, III and W. Russell Scheirman, or either of them, each with full power of substitution as the lawful attorneys and proxies to vote at the Annual Meeting of Stockholders of VAALCO Energy, Inc. to be held on June 4, 2008, at 10:00 a.m., Houston time, in the Houston Lecture Hall at the Holiday Inn-Near the Galleria, 3131 West Loop South, Houston, Texas 77027 and any adjournments or postponements thereof (the Annual Meeting) and to vote all shares of Common Stock of the Company, ( Shares) the undersigned would be entitled to vote at the Annual Meeting, with all powers the undersigned would possess if personally present at the Annual Meeting. The proxies shall vote subject to the directions indicated on this card, and proxies are authorized to vote in their discretion upon other business as may properly come before the meeting and any adjournments or postponements thereof. The proxies will vote as the Board of Directors recommends where a choice is not specified.

**INSTRUCTION:** To withhold authority to vote for any individual nominee, mark For All Except and write that nominee's name in the space provided below.

<p>2. PROPOSAL TO RATIFY THE APPOINTMENT OF DELOITTE &amp; TOUCHE, LLP as the Independent auditors of the Company.</p>	<p>For ..</p>	<p>Against ..</p>	<p>Abstain ..</p>
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The Board of Directors recommends a vote FOR the election of each of the director nominees in Proposal 1 and FOR Proposal 2. If no specification is made, the Shares will be voted for said director nominees and proposals.

In their discretion, the proxies are authorized to vote upon any such other matter as may properly come before the Annual Meeting or any adjournments thereof.

Please be sure to sign and date Date

this Proxy in the box below.

Stockholder sign above Co-holder (if any) sign above.

é Detach above card, sign, date and mail in postage paid envelope provided. é

**VAALCO Energy, Inc.**

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4600 Post Oak Place, Suite 309, Houston, Texas 77027

Signature should agree with name printed herein. If shares are held in name of more than one person, then EACH joint owner should sign. Executors, administrators, trustees, guardians and attorneys should indicate the capacity in which they sign. Attorneys should submit powers of attorney.

**PLEASE MARK, SIGN, DATE AND RETURN THE PROXY CARD PROMPTLY**

**IN THE STAMPED PRE-ADDRESSED ENVELOPE ENCLOSED.**

IF YOUR ADDRESS HAS CHANGED, PLEASE CORRECT THE ADDRESS IN THE SPACE PROVIDED BELOW AND RETURN THIS PORTION WITH THE PROXY IN THE ENVELOPE PROVIDED.