UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2017

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 1-32167

VAALCO Energy, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**76-0274813**
(State or other jurisdiction of Incorporation or organization)	**(I.R.S. Employer Identification No.)**
9800 Richmond Avenue Suite 700 Houston, Texas	**77042**
(Address of principal executive offices)	**(Zip code)**

(713) 623-0801
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐		Accelerated filer	☒
Non-accelerated filer	☐	(Do not check if a smaller reporting company)	Smaller reporting company	☐
			Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complyingwith any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes ☐ No ☒

As of May 1, 2017, there were outstanding 58,591,795 shares of common stock, $0.10 par value per share, of the registrant.

VAA LCO ENERGY, INC. AND SUBSIDIARIES

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Unless the context otherwise indicates, references to "VAALCO,""the Company", "we," "our," or "us" in this Form 10-Q are references to VAALCO Energy, Inc., including its wholly-owned subsidiaries.

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

VAA LCO ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(in thousands, except number of shares and par value amounts)

	March 31, 2017	December 31, 2016
ASSETS	*(in thousands)*	
Current assets:		
Cash and cash equivalents	**$ 24,245**	$ 20,474
Restricted cash	**755**	741
Receivables:		
Trade	**6,496**	6,751
Accounts with partners, net of allowance of $0.5 million at March 31, 2017 and December 31, 2016	**3**	3,297
Other	**81**	120
Crude oil inventory	**1,037**	913
Materials and supplies	**102**	84
Prepayments and other	**3,362**	3,956
Current assets - discontinued operations	**2,415**	2,139
Total current assets	**38,496**	38,475
Property and equipment - successful efforts method:		
Wells, platforms and other production facilities	**389,302**	389,231
Undeveloped acreage	**10,000**	10,000
Equipment and other	**10,003**	9,779
	409,305	409,010
Accumulated depreciation, depletion, amortization and impairment	**(382,622)**	(380,991)
Net property and equipment	**26,683**	28,019
Other noncurrent assets:		
Restricted cash	**918**	918
Value added tax and other receivables, net of allowance of $4.9 million and $4.7 million at March 31, 2017 and December 31, 2016, respectively	**5,390**	5,110
Abandonment funding	**8,510**	8,510
Total assets	**$ 79,997**	$ 81,032
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	**$ 9,745**	$ 19,096
Accrued liabilities and other	**8,962**	10,506
Current portion of long term debt	**8,333**	7,500
Accounts with partners	**4,805**	-
Current liabilities - discontinued operations	**18,320**	18,452
Total current liabilities	**50,165**	55,554
Asset retirement obligations	**18,851**	18,612
Other long term liabilities	**284**	284
Long term debt, excluding current portion	**6,621**	6,940
Total liabilities	**75,921**	81,390
Commitments and contingencies (Note 6)		
Shareholders' equity (deficit):		
Preferred stock, none issued, 500,000 shares authorized, $25 par value	**-**	-
Common stock, 66,146,890 and 66,109,565 shares issued $0.10 par value, 100,000,000 shares authorized	**6,614**	6,611
Additional paid-in capital	**70,440**	70,268
Less treasury stock, 7,555,095 shares at cost	**(37,933)**	(37,933)
Accumulated deficit	**(35,045)**	(39,304)
Total shareholders' equity (deficit)	**4,076**	(358)
Total liabilities and shareholders' equity (deficit)	**$ 79,997**	$ 81,032

See notes to condensed consolidated financial statements

VA ALCO ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(in thousands, except per share amounts)

	Three Months Ended March 31,	
	2017	**2016**
Revenues:		
Oil and natural gas sales	**$ 21,266**	$ 10,976
Operating costs and expenses:		
Production expense	**7,946**	11,253
Depreciation, depletion and amortization	**1,869**	2,238
General and administrative expense	**3,127**	2,247
Other operating expense	**-**	8,881
General and administrative related to shareholder matters	**15**	(453)
Bad debt expense and other	**98**	343
Total operating costs and expenses	**13,055**	24,509
Other operating income (loss), net	**(63)**	18
Operating income (loss)	**8,148**	(13,515)
Other income (expense):		
Interest income (expense), net	**(403)**	(488)
Other, net	**(116)**	258
Total other income (expense)	**(519)**	(230)
Income (loss) from continuing operations before income taxes	**7,629**	(13,745)
Income tax expense	**3,194**	1,685
Income (loss) from continuing operations	**4,435**	(15,430)
Income (loss) from discontinued operations, net of tax	**(176)**	7,806
Net income (loss)	**$ 4,259**	$ (7,624)
Basic net income (loss) per share:		
Income (loss) from continuing operations	**$ 0.07**	$ (0.26)
Income (loss) from discontinued operations	**(0.00)**	0.13
Net income (loss)	**$ 0.07**	$ (0.13)
Basic weighted average shares outstanding	**58,567**	58,513
Diluted net income (loss) per share:		
Income (loss) from continuing operations	**$ 0.07**	$ (0.26)
Income (loss) from discontinued operations	**(0.00)**	0.13
Net income (loss)	**$ 0.07**	$ (0.13)
Diluted weighted average shares outstanding	**58,580**	58,513

See notes to condensed consolidated financial statements.

VA ALCO ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	Three Months Ended March 31,	
	2017	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	**$ 4,259**	$ (7,624)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Loss (income) from discontinued operations	**176**	(7,806)
Depreciation, depletion and amortization	**1,869**	2,238
Other amortization	**97**	103
Unrealized foreign exchange loss	**(128)**	(728)
Stock-based compensation	**154**	420
Commodity derivatives loss	**180**	-
Bad debt provision	**98**	343
Other operating (income) loss, net	**63**	(18)
Change in operating assets and liabilities:		
Trade receivables	**255**	(70)
Accounts with partners	**8,099**	(2,742)
Other receivables	**40**	(91)
Crude oil inventory	**(124)**	(281)
Materials and supplies	**(18)**	20
Value added tax and other receivables	**(317)**	(690)
Prepayments and other	**554**	(337)
Accounts payable	**(9,066)**	(2,641)
Accrued liabilities and other	**(1,509)**	1,769
Net cash provided by (used in) continuing operating activities	**4,682**	(18,135)
Net cash provided by (used in) discontinued operating activities	**(584)**	17,955
Net cash provided by (used in) operating activities	**4,098**	(180)
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) decrease in restricted cash	**(14)**	252
Property and equipment expenditures	**(768)**	(1,483)
Net cash used in continuing investing activities	**(782)**	(1,231)
Net cash provided by discontinued investing activities	**-**	210
Net cash used in investing activities	**(782)**	(1,021)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the issuances of common stock	**38**	-
Borrowings	**4,167**	-
Debt repayment	**(3,750)**	-
Net cash provided by continuing financing activities	**455**	-
Net cash provided by discontinued financing activities	**-**	-
Net cash provided by financing activities	**455**	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	**3,771**	(1,201)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**20,474**	25,357
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**$ 24,245**	$ 24,156
Supplemental disclosure of cash flow information:		
Interest paid, net of capitalized interest	**$ 296**	$ 489
Income taxes paid	**$ 3,202**	$ 1,830
Supplemental disclosure of non-cash investing and financing activities:		
Property and equipment additions incurred but not paid at period end	**$ 210**	$ 13,141
Asset retirement cost capitalized	**$ -**	$ 42

See notes to condensed consolidated financial statements.

VAALCO ENERGY, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND ACCOUNTING POLICIES

VAALCO Energy, Inc. (together with its consolidated subsidiaries, "VAALCO," or the "Company") is a Houston, Texas based independent energy company engaged in the acquisition, exploration, development and production of crude oil. As operator, we have production operations and conduct development activities in Gabon, West Africa. As non-operator, we have opportunities to participate in development and exploration activities in Equatorial Guinea, West Africa. As discussed further in Note 3 below, we have discontinued operations associated with our activities in Angola, West Africa.

Our consolidated subsidiaries are VAALCO Gabon (Etame), Inc., VAALCO Production (Gabon), Inc., VAALCO Gabon S.A., VAALCO Angola (Kwanza), Inc., VAALCO UK (North Sea), Ltd., VAALCO International, Inc., VAALCO Energy (EG), Inc., VAALCO Energy Mauritius (EG) Limited and VAALCO Energy (USA), Inc.

These condensed consolidated financial statements are unaudited, but in the opinion of management, reflect all adjustments necessary for a fair presentation of results for the interim periods presented. All adjustments are of a normal recurring nature unless disclosed otherwise. Interim period results are not necessarily indicative of results to be expected for the full year.

These condensed consolidated financial statements have been prepared in accordance with rules of the Securities and Exchange Commission ("SEC") and do not include all the information and disclosures required by accounting principles generally accepted in the United States ("GAAP") for complete financial statements. They should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2016, which include a summary of the significant accounting policies.

Certain reclassifications have been made to prior period amounts to conform to the current period presentation. These reclassifications did not affect our consolidated financial results.

Bad debt – Quarterly, we evaluate our accounts receivable balances to confirm collectability. When collectability is in doubt, we record an allowance against the accounts receivable and a corresponding income charge for bad debts, which appears in the "Bad debt expense and other" line of the condensed consolidated statements of operations. The majority of our accounts receivable balances are with our joint venture partners, purchasers of our production and the government of Gabon for reimbursable Value-Added Tax ("VAT"). Collection efforts, including remedies provided for in the contracts, are pursued to collect overdue amounts owed to us. Portions of our costs in Gabon (including our VAT receivable) are denominated in the local currency of Gabon, the Central African CFA Franc ("XAF"). As of March 31, 2017, the exchange rate was XAF610.48 = $1.00. In June 2016, we entered into an agreement with the government of Gabon to receive payments related to the outstanding VAT receivable balance, which was approximately XAF 16.3 billion (XAF 4.9 billion, net to VAALCO) as of December 31, 2015, in thirty-six monthly installments of $0.2 million, net to VAALCO. We received one monthly installment payment in July 2016; however, no further payments have been received. We are in discussions with the Gabonese government regarding the timing of the resumption of payments.

In the three months ended March 31, 2017 and 2016, we recorded allowances of $0.1 million and $0.5 million, respectively, related to VAT for which the government of Gabon has not reimbursed us. The receivable amount, net of allowances, is reported as a non-current asset in the "Value added tax and other receivables" line item in the condensed consolidated balance sheet. Because both the VAT receivable and the related allowances are denominated in XAF, the exchange rate revaluation of these balances into U.S. dollars at the end of each reporting period also has an impact on profit/loss. Such foreign currency gains/(losses) are reported separately in the Other, net, operating income (expense) line of the condensed consolidated statements of operations.

General and administrative related to shareholder matters – Amounts related to shareholder matters for the three months ended March 31, 2016 relate to costs incurred related to shareholder litigation that was settled in April 2016. For 2016, the amounts also include the offsetting insurance proceeds related to these matters.

2. NEW ACCOUNTING STANDARDS

Not yet adopted

In January 2017, the Financial Accounting Standards Board ("FASB") issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business (ASU 2017-01"). The purpose of the amendment is to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. For public entities, the amendments in ASU 2017-01 are effective for interim and annual reporting periods beginning after December 15, 2017. The amendments in this update are to be applied prospectively to acquisitions and disposals completed on or after the effective date, with no disclosures required at transition. The adoption of ASU 2017-01 is not expected to have a material impact on our condensed consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash ("ASU 2016-18"), which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts

generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. We are currently evaluating the provisions of this guidance and are assessing its potential impact on our cash flows and related disclosures. Due to the nature of this accounting standards update, this may have an impact on items reported in our statements of cash flows, but no impact is expected on our financial position, results of operations or related disclosures as a result of implementation.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments ("ASU 2016-15") related to how certain cash receipts and payments are presented and classified in the statement of cash flows. These cash flow issues include debt prepayment or extinguishment costs, settlement of zero-coupon debt, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, distributions received from equity method investees, beneficial interests in securitization transactions, and separately identifiable cash flows. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. We are currently evaluating the provisions of this guidance and are assessing its potential impact on our cash flows and related disclosures. Due to the nature of this accounting standards update, this may have an impact on items reported in our statements of cash flows, but no impact is expected on our financial position, results of operations or related disclosures as a result of implementation.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13") related to the calculation of credit losses on financial instruments. All financial instruments not accounted for at fair value will be impacted, including our trade and partner receivables. Allowances are to be measured using a current expected credit loss model as of the reporting date which is based on historical experience, current conditions and reasonable and supportable forecasts. This is significantly different from the current model which increases the allowance when losses are probable. This change is effective for all public companies for fiscal years beginning after December 31, 2019, including interim periods within those fiscal years and will be applied with a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. We are currently evaluating the provisions of ASU 2016-13 and are assessing its potential impact on our financial position, results of operations, cash flows and related disclosures

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02"), which amend the accounting standards for leases. ASU 2016-02 retains a distinction between finance leases and operating leases. The primary change is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases on the balance sheet. The classification criteria for distinguishing between finance leases and operating leases are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in the previous guidance. Certain aspects of lease accounting have been simplified and additional qualitative and quantitative disclosures are required along with specific quantitative disclosures required by lessees and lessors to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The amendments are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early application permitted. We are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period presented in the financial statements. Early adoption is allowed. Assuming adoption January 1, 2019, we expect that leases in effect on January 1, 2017 and leases entered into after such date will be reflected in accordance with the new standard in the audited consolidated financial statements included in our Annual Report on Form 10-K for 2019, including comparative financial statements presented in such report. We are in the preliminary stages of our gap assessment, but we expect that leases treated as operating leases will be capitalized. We expect adoption of this standard to result in the recording of a right of use asset related to our operating leases with a corresponding lease liability. This is expected to result in a material increase in total assets and liabilities as certain of our operating leases are significant as disclosed in our Annual Report on Form 10-K for 2016 We do not expect there will be a material overall impact on results of operations or cash flows; however, cash flows from operations will increase and cash from financing activities will decrease as a result of reflecting a significant portion of lease payments as payments on the lease liabilities rather than rental expense. We are continuing to evaluate the impact of this new standard, and are in the process of developing our implementation plan.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"). The new standard will replace most existing revenue recognition guidance in U.S. GAAP. The core principle of ASU 2014-09 requires companies to reevaluate when revenue is recorded on a transaction based upon newly defined criteria, either at a point in time or over time as goods or services are delivered. The ASU requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and estimates, and changes in those estimates. In early 2016, the FASB issued additional guidance: ASU No. 2016-10, 2016-11 and 2016-12 (and together with ASU 2014-09, "Revenue Recognition ASU"). These updates provide further guidance and clarification on specific items within the previously issued ASU 2014-09. The Revenue Recognition ASU becomes effective for the Company as of January 1, 2018, with the option to early adopt the standard for annual periods beginning on or after December 15, 2016, and allows for both retrospective and modified-retrospective methods of adoption. The Company does not plan to early adopt the standard. We have preliminarily concluded that we will adopt the Revenue Recognition ASU via the modified retrospective transition method, taking advantage of the allowed practical expedients. We are substantially complete with our gap assessment and have determined that we will qualify for point in time recognition for essentially all of our sales. As such, the Company does not expect adoption of this standard to result in a

change in the timing of revenue recognition compared to current practices, and therefore we do not expect adoption of this standard to have a material impact on our financial position or results of operations. We do expect that we will have expanded disclosures around the nature of our sales contracts and other matters related to revenues and the accounting for revenues. We are continuing to evaluate the impact of this new standard, and are in the process of developing our implementation plan.

Adopted

In July 2015, the FASB issued ASU No. 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory (ASU 2015-11) to simplify the measurement of inventory. This simplification applies to all inventory other than that measured using last-in, first out ("LIFO") or the retail inventory method and requires measurement of inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable cost of completion, disposal and transportation. This guidance is to be applied prospectively effective for annual periods ending after December 15, 2016, and interim periods within annual periods beginning after December 15, 2016. We adopted ASU 2015-11 in the first quarter of 2017 and the application of this guidance did not have a significant impact on our financial position, results of operations or cash flows.

3. AQUISITIONS AND DISPOSITIONS

Sojitz Acquisition

On November 22, 2016, we closed on the purchase of an additional 2.98% working interest (3.23% participating interest) in the Etame Marin block located offshore the Republic of Gabon from Sojitz Etame Limited ("Sojitz"), which represents all interest owned by Sojitz in the concession. The acquisition has an effective date of August 1, 2016 and was funded with cash on hand.

The following amounts represent the preliminary estimates of the fair value of identifiable assets acquiredand liabilities assumed in the Sojitz acquisition. The final determination of fair value for certain assets and liabilities will be completed as soon as the information necessary to complete the analysis is obtained. These amounts will be finalized as soon as possible, but no later than one year from the date of the acquisition.

	November 22, 2016 (in thousands)
Assets acquired:	
Wells, platforms and other production facilities	$ 5,754
Equipment and other	684
Value added tax and other receivables	297
Abandonment funding	546
Accounts receivable - trade	888
Other current assets	220
Liabilities assumed:	
Asset retirement obligations	(1,731)
Accrued liabilities and other	(747)
Total identifiable net assets and consideration transferred	$ 5,911

All assets and liabilities associated with Sojitz's interest in Etame Marin block, including oil and gas properties, asset retirement obligations and working capital items were recorded at their fair value. In determining the fair value of the oil and gas properties, we prepared estimates of oil and natural gas reserves. We used estimated future prices to apply to the estimated reserve quantities acquired and the estimated future operating and development costs to arrive at the estimates of future net revenues. The valuations to derive the purchase price included the use of both proved and unproved categories of reserves, expectation for timing of production and amount of future development and operating costs, projections of future rates of production, expected recovery rates, and risk adjusted discount rates. Other significant estimates were used by management to calculate fair value of assets acquired and liabilities assumed. We may record purchase price adjustments as a result of changes in such estimates. These assumptions represent Level 3 inputs.

Sale of Certain U.S. Properties

On October 17, 2016, we signed a letter of intent to sell our interests in the East Poplar Dome field in Montana for $250,000, which is classified as "held for sale" as of March 31, 2017 and December 31, 2016. We completed the sale of this property in April 2017 and we expect to recognize a gain of approximately $0.3 million in the quarter ended June 30, 2017.

Discontinued Operations - Angola

In November 2006, our Angolan subsidiary, VAALCO Angola (Kwanza), Inc., ("VAALCO Angola"), signed a production sharing contract for Block 5 offshore Angola ("PSA"). The four year primary term, referred to as the Initial Exploration Phase (IEP"), with an optional three year extension, awarded VAALCO Angola exploration rights to 1.4 million acres offshore central Angola, with a commitment to drill two exploratory wells. The IEP was extended on two occasions to run until December 1, 2014. In October 2014, VAALCO Angola entered into the Subsequent Exploration Phase ("SEP") which extended the exploration period to November 30, 2017 and required VAALCO Angola and the co-participating interest owner, the Angolan national oil company, Sonangol P&P, to drill two additional exploration wells. VAALCO Angola's working interest is 40%, and it carries Sonangol P&P, for 10% of the work program. On September 30, 2016, VAALCO Angola notified Sonangol P&P that it was withdrawing from the joint operating agreement effective October 31, 2016. On November 30, 2016, VAALCO Angola notified the national concessionaire, Sonangol E.P., that it was withdrawing from the PSA. Further to the decision to withdraw from Angola, VAALCO Angola has taken actions to begin reducing its office in Angola and reducing future activities in Angola. As a result of this strategic shift, we classified all the related assets and liabilities as those of discontinued operations in the condensed consolidated balance sheets. The operating results of the Angola segment have been classified as discontinued operations for all periods presented in our condensed consolidated statements of operations. We segregated the cash flows attributable to the Angola segment from the cash flows from continuing operations for all periods presented in our condensed consolidated statements of cash flows. The following tables summarize selected financial information related to the Angola segment's operations as of March 31, 2017 and December 31, 2016 and for the three months ended March 31, 2017 and 2016.

Summarized Results of Discontinued Operations

	Three Months Ended March 31,	
	2017	**2016**
	(in thousands)	
Operating costs and expenses:		
General and administrative expense	**$ 171**	$ 298
Bad debt expense (recovery) and other	**-**	(7,625)
Total operating costs and expenses	**171**	(7,327)
Other operating loss, net	**-**	(21)
Operating income (loss)	**(171)**	7,306
Other income (expense):		
Interest income	**-**	3,201
Other, net	**(2)**	266
Total other income (expense)	**(2)**	3,467
Income (loss) from discontinued operations before income taxes	**(173)**	10,773
Income tax expense	**3**	2,967
Income (loss) from discontinued operations	**$ (176)**	$ 7,806

Assets and Liabilities Attributable to Discontinued Operations

	March 31, 2017	**December 31, 2016**
	(in thousands)	
ASSETS		
Current assets:		
Accounts with partners	**$ 2,415**	$ 2,139
Total current assets	**2,415**	2,139
Total assets	**$ 2,415**	$ 2,139
LIABILITIES		
Current liabilities:		
Accounts payable	**$ 64**	$ 77
Foreign taxes payable	**3,081**	3,078
Accrued liabilities and other	**15,175**	15,297
Total current liabilities	**$ 18,320**	$ 18,452

Drilling Obligation

Under the PSA, VAALCO Angola and the other participating interest owner, Sonangol P&P, were obligated to perform exploration activities that included specified seismic activities and drilling a specified number of wells during each of the exploration phases under the PSA. The specified seismic activities were completed, and one well, the Kindele #1 well, was drilled in 2015. The PSA provides a stipulated payment of $10.0 million for each exploration well for which a drilling obligation remains under the terms of the PSA, of

which VAALCO Angola's participating interest share would be $5.0 million per well. We have reflected an accrual of $15.0 million for a potential payment as of March 31, 2017 and December 31, 2016, which represents what we believe to be the maximum potential amount attributable to VAALCO Angola's interest under the PSA. However, we are vigorously contesting this potential payment and believe that the ultimate amount paid, if any, will be substantially less than the accrued amount. We are currently engaged in discussions with representatives from Sonangol E.P. about such matters.

Other Matters – Partner Receivable

The government-assigned working interest partner was delinquent in paying their share of the costs several times in 2009 and was removed from the production sharing contract in 2010 by a governmental decree. Efforts to collect from the defaulted partner were abandoned in 2012. The available 40% working interest in Block 5, offshore Angola was assigned to Sonangol P&P effective on January 1, 2014. We invoiced Sonangol P&P for the unpaid delinquent amounts from the defaulted partner plus the amounts incurred during the period prior to assignment of the working interest totaling $7.6 million plus interest in April 2014. Because this amount was not paid and Sonangol P&P was slow in paying monthly cash call invoices since their assignment, we placed Sonangol P&P in default in the first quarter of 2015.

On March 14, 2016, we received a $19.0 million payment from Sonangol P&P for the full amount owed us as of December 31, 2015, including the $7.6 million of pre-assignment costs and default interest of $3.2 million. The $7.6 million recovery is reflected in the "Bad debt expense (recovery) and other" line of our summarized results of discontinued operations for the three months ended March 31, 2016. Default interest of $3.2 million is shown in the "Interest income" line of our summarized results of discontinued operations for the three months ended March 31, 2016.

4. OIL AND NATURAL GAS PROPERTIES AND EQUIPMENT

We review our oil and natural gas producing properties for impairment quarterly or whenever events or changes in circumstances indicate that the carrying amount of such properties may not be recoverable. When an oil and natural gas property's undiscounted estimated future net cash flows are not sufficient to recover its carrying amount, an impairment charge is recorded to reduce the carrying amount of the asset to its fair value. The fair value of the asset is measured using a discounted cash flow model relying primarily on Level 3 inputs into the undiscounted future net cash flows. The undiscounted estimated future net cash flows used in our impairment evaluations at each quarter end are based upon the most recently prepared independent reserve engineers' report adjusted to use forecasted prices from the forward strip price curves near each quarter end and adjusted as necessary for drilling and production results.

During the first quarter of 2017, our negative price differential to Brent narrowed and we incurred no significant capital spending. We considered these and other factors and determined that there were no events or circumstances triggering an impairment evaluation for all of our fields.

Declining forecasted oil prices and other factors caused us to perform impairment reviews of our proved properties in the first quarter of 2016 for all fields in the Etame Marin block offshore Gabon and the Hefley field in North Texas. However, no impairment was required for the quarter ended March 31, 2016.

5. DEBT

On June 29, 2016, we executed a Supplemental Agreement with the International Finance Corporation (the "IFC") which, among other things, amended and restated our existing loan agreement to convert $20 million of the revolving portion of the credit facility, to a term loan (the "Term Loan") with $15 million outstanding at that date. The amended loan agreement is secured by the assets of our Gabon subsidiary, VAALCO Gabon S.A. and is guaranteed by VAALCO as the parent company. The amended loan agreement provides for quarterly principal and interest payments on the amounts currently outstanding through June 30, 2019, with interest accruing at a rate of LIBOR plus 5.75%.

The amended loan agreement also provided for an additional $5 million (the "Additional Term Loan"), which could be requested in a single draw, subject to the IFC's approval, through March 15, 2017. On March 14, 2017, we borrowed $4.2 million of the Additional Term Loan. The additional borrowings will be repaid in five quarterly principal installments commencing June 30, 2017, together with interest which will accrue at LIBOR plus 5.75%.

Compared to the $15.4 million principal carrying value of debt as of March 31, 2017, the estimated fair value of the term loan is $15.2 million when measured using a discounted cash flow model over the life of the current borrowings at forecasted interest rates. The inputs to this model are Level 3 in the fair value hierarchy.

Covenants

Under the amended loan agreement, the ratio of quarter-end net debt to EBITDAX (as defined in the loan agreement) must be no more than 3.0 to 1.0. Additionally, our debt service coverage ratio must be greater than 1.2 to 1.0 at each quarter end. Certain of VAALCO's subsidiaries are contractually prohibited from making payments, loans or transferring assets to the Parent Company or other affiliated entities. Specifically, under the terms of our IFC Term Loan, VAALCO Gabon S.A. could be restricted from transferring assets or making dividends, if the positive and negative covenants are not in compliance with the Term Loan. Forecasting our compliance with these and other financial covenants in future periods is inherently uncertain; therefore, we can make no assurance that we will be able to comply with our term loan covenants in future periods. Factors that could impact our quarter-end financial covenants in future periods include future realized prices for sales of oil and natural gas, estimated future production, returns generated by our capital program, and future interest costs, among others. We were in compliance with all financial covenants as of March 31, 2017 and December 31, 2016.

Interest

Until June 29, 2016, under the terms of the original revolving credit facility, we paid commitment fees on the undrawn portion of the total commitment. Commitment fees had been equal to 1.5% of the unused balance of a senior tranche of $50.0 million and 2.3% of the unused balance of a subordinated tranche of $15.0 million when a commitment was available for utilization. With the execution of the Supplemental Agreement with the IFC in June 2016, beginning June 29, 2016 and continuing through March 14, 2017, commitment fees were equal to 2.3% of the undrawn Additional Term Loan amount of $5 million. There are no commitment fees after March 14, 2017.

We capitalize interest and commitment fees related to expenditures made in connection with exploration and development projects that are not subject to current depletion. Interest and commitment fees are capitalized only for the period that activities are in progress to bring these projects to their intended use.

The table below shows the components of the Interest income (expense), net line of our condensed consolidated statements of operations and the average effective interest rate, excluding commitment fees, on our borrowings:

	Three Months Ended March 31,	
	2017	**2016**
	(in thousands)	
Interest incurred, including commitment fees	**$ 304**	$ 386
Deferred finance cost amortization	**97**	103
Other interest not related to debt	**2**	(1)
Interest expense (income), net	**$ 403**	$ 488
Average effective interest rate, excluding commitment fees	**6.75%**	4.36%

6. COMMITMENTS AND CONTINGENCIES

Litigation

McDonough litigation

On December 7, 2016, a lawsuit was filed against the Company alleging that a former worker on the Company's oil and gas platforms off the coast of Gabon was terminated because of his age in violation of the Age Discrimination in Employment Act and the Texas Commission on Human Rights Act. The Plaintiff seeks damages for lost wages and benefits as well as attorneys' fees. The case is pending in the U.S. District Court for the Southern District of Texas and is styled as McDonough v. VAALCO Energy, Inc., No. 4:17-cv-00361. In a February 2017 demand letter, the plaintiff made a demand for $361,000 to settle this claim. We intend to defend the claim vigorously, and we do not expect that this claim will have a material effect on our financial condition, results of operations or liquidity.

Rig commitment

In 2014, we entered into a long-term contract for the Constellation II drilling rig that was under a long-term contract for the multi-well development drilling campaign offshore Gabon. The campaign included the drilling of development wells and workovers of existing wells in the Etame Marin block. We began demobilization in January 2016 and released the drilling rig in February 2016, prior to the original July 2016 contract termination date, because we no longer intended to drill any wells in 2016 on our Etame Marin block offshore Gabon. In June 2016, we reached an agreement with the drilling contractor for us to pay $5.1 million net to VAALCO's interest for unused rig days under the contract. We paid this amount, plus the demobilization charges, in seven equal monthly installments, which began in July 2016 and ended in January 2017. The related expense was reported in the "Other operating expense" line item in our condensed consolidated statement of operations for the three months ended March 31, 2016.

Abandonment funding

As part of securing the first of two five-year extensions to the Etame field production license to which we are entitled from the government of Gabon, we agreed to a cash funding arrangement for the eventual abandonment of all offshore wells, platforms and facilities on the Etame Marin block. The agreement was finalized in the first quarter of 2014 (effective 2011) providing for annual funding over a period of ten years at 12.14% of the total abandonment estimate for the first seven years and 5.0% per year for the last three years of the production license. The amounts paid will be reimbursed through the cost account and are non-refundable. The abandonment estimate used for this purpose is approximately $61.1 million ($19.0 million net to VAALCO) on an undiscounted basis. Through March 31, 2017, $27.4 million ($8.5 million net to VAALCO) on an undiscounted basis has been funded. This cash funding is reflected under "Other noncurrent assets" as "Abandonment funding" on our condensed consolidated balance sheet. Future changes to the anticipated abandonment cost estimate could change our asset retirement obligation and the amount of future abandonment funding payments.

Audits

We are subject to periodic routine audits by various government agencies in Gabon, including audits of our petroleum cost account, customs, taxes and other operational matters, as well as audits by other members of the contractor group under our joint operating agreements.

As of December 31, 2016, we had accrued $1.0 million net to VAALCO in "Accrued liabilities and other" on our condensed consolidated balance sheet for certain payroll taxes in Gabon which were not paid pertaining to labor provided to us over a number of years by a third-party contractor. While the payroll taxes were for individuals who were not our employees, we could be deemed liable for these expenses as the end user of the services provided. These liabilities were substantially resolved at the accrued amount in January 2017.

In 2016, the government of Gabon conducted an audit of our operations in Gabon, covering the years 2013 through 2014. We received the findings from this audit and responded to the audit findings in January 2017. We do not anticipate that the ultimate outcome of this audit will have a material effect on our financial condition, results of operations or liquidity.

7. DERIVATIVES AND FAIR VALUE

During 2016, we executed crude oil put contracts as market conditions allowed in order to economically hedge anticipated 2016 and 2017 cash flows from crude oil producing activities. While these crude oil puts are intended to be an economic hedge to mitigate the impact of a decline in oil prices, we have not elected hedge accounting. The contracts are being measured at fair value each period, with changes in fair value recognized in net income. These changes in fair value have no cash flow impact. The impact to cash flow occurs upon settlement of the underlying contract. We do not enter into derivative instruments for speculative or trading proposes.

As of March 31, 2017, we had unexpired oil puts covering 540,000 barrels of anticipated sales volumes for the period from April 2017 through December 31, 2017 at a weighted average price of $49.63. Our put contracts are subject to agreements similar to a master netting agreement under which we have the legal right to offset assets and liabilities. At March 31, 2017, our unexpired oil puts represented a fair value asset position of $1.0 million in the Prepayments and other line of our condensed consolidated balance sheets. We had no commodity derivative activity during the three months ended March 31, 2016, and no commodity price derivatives in place as of March 31, 2016.

The following table sets forth, by level within the fair value hierarchy and location on our condensed consolidated balance sheets, the reported values of derivative instruments accounted for at fair value on a recurring basis:

		Carrying	Fair Value Measurements Using		
Derivative Item	**Balance Sheet Line**	**Value**	**Level 1**	**Level 2**	**Level 3**
			(in thousands)		
Crude oil puts	Prepayments and other				
Balance at March 31, 2017		$ 1,047	$ -	$ 1,047	$ -
Balance at December 31, 2016		$ 1,227	$ -	$ 1,227	$ -

The crude oil put contracts are measured at fair value using the Black's option pricing model. Level 2 observable inputs used in the valuation model include market information as of the reporting date, such as prevailing Brent crude futures prices, Brent crude futures commodity price volatility and interest rates. The determination of the put contract fair value includes the impact of the counterparty's non-performance risk.

To mitigate counterparty risk, we enter into such derivative contracts with creditworthy financial institutions deemed by management as competent and competitive market makers.

The following table sets forth the gain (bss) on derivative instruments in our condensed consolidated statements of operations:

		Gain (Loss)	
		Three Months Ended March 31,	
Derivative Item	Statement of Operations Line	2017	2016
		(in thousands)	
Crude oil puts	Other, net	**$ (180)**	$ -

8. COMPENSATION

Our stock-based compensation has been granted under several stock incentive and long-term incentive plans. The plans authorize the Compensation Committee of our Board of Directors to issue various types of incentive compensation. Currently, we have issued stock options, restricted shares and SARs under the 2014 Long-Term Incentive Plan ("2014 Plan"). At March 31, 2017, 3,121,839 shares were authorized for future grants under this plan.

For each stock option granted, the number of authorized shares under the 2014 Plan will be reduced on a one-for-one basis. For each restricted share granted, the number of shares authorized under the 2014 Plan will be reduced by twice the number of restricted shares. We have no set policy for sourcing shares for option grants. Historically the shares issued under option grants have been new shares.

We record non-cash compensation expense related to stock-based compensation as general and administrative expense. For the three months ended March 31, 2017 and 2016, non-cash compensation was $0.2 million and $0.4 million, respectively, related to the issuance of stock options and restricted stock. Because we do not pay significant United States federal income taxes, no amounts were recorded for tax benefits.

Stock options

Stock options have an exercise price that may not be less than the fair market value of the underlying shares on the date of grant. In general, stock options granted to participants will become exercisable over a period determined by the Compensation Committee of our Board of Directors, which in the past has been a five year life, with the options vesting over a service period of up to five years. In addition, stock options will become exercisable upon a change in control, unless provided otherwise by the Compensation Committee. There were immaterial cash proceeds from the exercise of stock options in the three months ended March 31, 2017 and 2016. A portion of the stock options granted in the three months ended March 31, 2016 were vested immediately with the remainder vesting over a two-year period.

Stock option activity for the three months ended March 31, 2017 is provided below:

	Number of Shares Underlying Options	Weighted Average Exercise Price Per Share
	(in thousands)	
Outstanding at January 1, 2017	2,644	$ 3.92
Granted	-	-
Exercised	(37)	1.04
Forfeited/expired	(515)	7.85
Outstanding at March 31, 2017	2,092	3.01

No stock options were granted during the three months ended March 31, 2017. In April 2017, options for 1,084,491 shares with an exercise price of $0.99 per share were granted to employees. These options vest over a three-year period, vesting in three equal parts on the first, second and third anniversaries from the date of grant.

Restricted shares

Restricted stock granted to employees will vest over a period determined by the Compensation Committee which is generally a three year period, vesting in three equal parts on the first three anniversaries of the date of the grant. Share grants to directors vest immediately and are not restricted. The following is a summary of activity in unvested restricted stock in the three months ended March 31, 2017.

	Restricted Stock	Weighted Average Grant Price
Non-vested shares outstanding at January 1, 2017	251,853	$ 1.31
Awards granted	-	-
Awards vested	-	-
Awards forfeited	-	-
Non-vested shares outstanding at March 31, 2017	251,853	1.31

In the three months ended March 31, 2017 and 2016, no shares and 31,808 shares were added to treasury due to tax withholding on vesting restricted shares.

No restricted share grants were made to employees during the three months ended March 31, 2017. In April 2017, 183,919 restricted shares were granted to employees which vest in three equal parts on the first, second and third anniversaries from the date of grant.

Stock appreciation rights ("SARs")

SARs are granted under the VAALCO Energy, Inc. 2016 Stock Appreciation Rights Plan. A SAR is the right to receive a cash amount equal to the spread with respect to a share of common stock upon the exercise of the SAR. The spread is the difference between the SAR price per share specified in a SAR award on the date of grant (which may not be less than the fair market value of our common stock on the date of grant) and the fair market value per share on the date of exercise of the SAR. SARs granted to participants will become exercisable over a period determined by the Compensation Committee of our Board of Directors. In addition, SARs will become exercisable upon a change in control, unless provided otherwise by the Compensation Committee of our Board of Directors.

The 815,355 SARs granted in the three months ended March 31, 2016 vest over a three year period with a life of 5 years and have a maximum spread of 300% of the $1.04 SAR price per share specified in a SAR award on the date of grant. Of these, only the amounts listed in the table below remain outstanding as of March 31, 2017. Compensation payable related to these awards through March 31, 2017 is not significant.

SAR activity for the three months ended March 31, 2017 is provided below:

	Number of Shares Underlying Options	Weighted Average Exercise Price Per Share
	(in thousands)	
Outstanding at January 1, 2017	179,580	$ 1.04
Granted	-	-
Forfeited/expired	-	-
Outstanding at March 31, 2017	179,580	1.04

No SARs were granted during the three months ended March 31, 2017. In April 2017, 1,049,528 SARs were granted with an exercise price of $1.20 per share. One-third of the SARs vest on the date on or after the first anniversary of the grant date when the price exceeds $1.30; one-third of the SARs vest on the date on or after the second anniversary of the grant date when the share price exceeds $1.50; and one-third of the SARs vest on the date on or after the third anniversary of the grant date when the share price exceeds $1.75.

9. INCOME TAXES

VAALCO and its domestic subsidiaries file a consolidated United States income tax return. Certain subsidiaries' operations are also subject to foreign income taxes.

As discussed further in the Notes to the consolidated financial statements in our Form 10-K for December 31, 2016, we have deferred tax assets related to foreign tax credits, alternative minimum tax credits, and domestic and foreign net operating losses ("NOLs"). Management assesses the available positive and negative evidence to estimate if existing deferred tax assets will be utilized. We do not anticipate utilization of the foreign tax credits prior to expiration nor do we expect to generate sufficient taxable income to utilize other deferred tax assets. On the basis of this evaluation, full valuation allowances have been recorded as of March 31, 2017 and December 31, 2016.

Income taxes attributable to continuing operations for the three months ended March 31, 2017 and 2016 are attributable to foreign taxes payable in Gabon.

In April 2017, we were notified by the U.S. Internal Revenue Service ("IRS") that they would be conducting an audit of our 2014 U.S. federal tax return. This audit is in the preliminary stages; the IRS has not communicated any findings.

10. EARNINGS PER SHARE

Basic earnings per share ("EPS") is calculated using the average number of shares of common stock outstanding during each period. For the calculation of diluted shares, we assume that restricted stock is outstanding on the date of vesting, and we assume the issuance of shares fromthe exercise of stock options using the treasury stock method.

A reconciliation from basic to diluted shares follows:

	Three Months Ended March 31,	
	2017	2016
	(in thousands)	
Basic weighted average shares outstanding	**58,567**	58,513
Effect of dilutive securities	**13**	-
Diluted weighted average shares outstanding	**58,580**	58,513
Stock options and unvested restricted stock grants excluded from dilutive calculation because they would be anti-dilutive	**2,238**	4,284

Because we recognized a net loss for the three months ended March 31, 2016, there were no dilutive securities for that period.

11. SEGMENT INFORMATION

Our operations are based in Gabon, Equatorial Guinea and the U.S. Each of our three reportable operating segments is organized and managed based upon geographic location. Our Chief Executive Officer, who is the chief operating decision maker, and management, review and evaluate the operation of each geographic segment separately primarily based on Operating income (loss). The operations of all segments include exploration for and production of hydrocarbons where commercial reserves have been found and developed. Revenues are based on the location of hydrocarbon production. Corporate and other is primarily corporate and operations support costs which are not allocated to the reportable operating segments.

Segment activity of continuing operations for the three months ended March 31, 2017 and 2016 and segment assets at March 31, 2017 and December 31, 2016 are as follows:

	Three Months Ended March 31, 2017				
(in thousands)	Gabon	Equatorial Guinea	U.S.	Corporate and Other	Total
Revenues-oil and natural gas sales	$ 21,246	$ -	$ 20	$ -	$ 21,266
Depreciation, depletion and amortization	1,809	-	1	59	1,869
Bad debt expense and other	98	-	-	-	98
Operating income (loss)	10,960	(38)	7	(2,781)	8,148
Interest income (expense), net	(403)	-	-	-	(403)
Income tax expense	3,194	-	-	-	3,194
Additions to property and equipment	262	-	-	-	262

	Three Months Ended March 31, 2016				
(in thousands)	Gabon	Equatorial Guinea	U.S.	Corporate and Other	Total
Revenues-oil and natural gas sales	$ 10,908	$ -	$ 68	$ -	$ 10,976
Depreciation, depletion and amortization	2,143	-	21	74	2,238
Bad debt expense and other	343	-	-	-	343
Operating loss	(11,956)	(48)	(3)	(1,508)	(13,515)
Interest income (expense), net	(488)	-	-	-	(488)
Income tax expense	1,685	-	-	-	1,685
Additions to property and equipment	-	-	-	-	-

(in thousands)	Gabon	Equatorial Guinea	U.S.	Corporate and Other	Total
Total assets from continuing operations:					
As of March 31, 2017	$ 64,108	$ 10,119	$ 173	$ 3,182	$ 77,582
As of December 31, 2016	64,478	10,122	382	3,911	78,893

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

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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, (the "Exchange Act") which are intended to be covered by the safe harbors created by those laws. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements include information about possible or assumed future results of our operations. All statements, other than statements of historical facts, included in this report that address activities, events or developments that we expect or anticipate may occur in the future, including without limitation, statements regarding our financial position, operating performance and results, reserve quantities and net present values, market prices, business strategy, derivative activities, the amount and nature of capital expenditures and plans and objectives of management for future operations are forward-looking statements. When we use words such as "anticipate," "believe," "estimate," "expect," "intend," "forecast," "outlook," "aim,", "target", "will," "could," "should," "may," "likely," "plan," "probably" or similar expressions, we are making forward-looking statements. Many risks and uncertainties that could affect our future results and could cause results to differ materially from those expressed in our forward-looking statements include, but are not limited to:

- volatility of, and declines and weaknesses in oil and natural gas prices;
- our ability to maintain sufficient liquidity in order to fully implement our business plan;
- our ability to meet the financial covenants of our loan agreement;
- the resolution of matters related to our exit from Angola;
- our ability to generate cash flows sufficient to cover our operating expenses through June 30, 2018;
- our ability to replace our term loan agreement facility with another credit facility to help fund our future capital requirements;
- unanticipated issues and liabilities arising from non-compliance with environmental regulations;
- the uncertainty of estimates of oil and natural gas reserves;
- the impact of competition;
- the availability and cost of seismic, drilling and other equipment;
- operating hazards inherent in the exploration for and production of oil and natural gas;
- difficulties encountered during the exploration for and production of oil and natural gas;
- difficulties encountered in measuring, transporting and delivering oil to commercial markets;
- the availability and cost of seismic, drilling and other equipment;
- the discovery, acquisition, development and replacement of oil and natural gas reserves;
- timing and amount of future production of oil and natural gas;
- hedging decisions, including whether or not to enter into derivative financial instruments;
- our ability to meet the continued listing standards of the New York Stock Exchange ("NYSE"), or to cure any deficiency in meeting the listing standards;
- our ability to effectively integrate assets and properties that we acquire into our operations;
- our ability to pay the expenditures required in order to develop certain of our properties offshore Equatorial Guinea;
- general economic conditions, including any future economic downturn, disruption in financial markets and the availability of credit;
- changes in customer demand and producers' supply;
- future capital requirements and our ability to attract capital;
- currency exchange rates;
- actions by the governments of and events occurring in the countries in which we operate;
- actions by our venture partners;
- compliance with, or the effect of changes in, governmental regulations regarding our exploration, production, and well completion operations including those related to climate change;
- the outcome of any governmental audit;
- actions of operators of our oil and natural gas properties;
- the timing and effectiveness of our remediating the significant deficiencies and material weaknesses in our internal control over financial reporting; and
- weather conditions.

The information contained in this report and the information set forth under the heading "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2016 ("2016 Form 10-K") identifies additional factors that could cause our results or performance to differ materially from those we express in forward-looking statements. Although we believe that the assumptions underlying our forward-looking statements are reasonable, any of these assumptions and therefore also the forward-looking statements based on these assumptions, could themselves prove to be inaccurate. In light of the significant uncertainties inherent in the forward-looking statements which are included in this report and the 2016 Form 10-K, our inclusion of this information is not a representation by us or any other person that our objectives and plans will be achieved. When you consider our forward-looking statements, you should keep in mind these risk factors and the other cautionary statements in this report.

Our forward-looking statements speak only as of the date made, and reflect our best judgment about future events and trends based on the information currently available to us. Our results of operations can be affected by inaccurate assumptions we make or by risks and uncertainties known or unknown to us. Therefore, we cannot guarantee the accuracy of the forward-looking statements. Actual events and results of operations may vary materially from our current expectations and assumptions. Our forward-looking statements are expressly qualified in their entirety by this "Special Note Regarding Forward-Looking Statements," which constitute cautionary statements.

INTRODUCTION

VAALCO is a Houston, Texas based independent energy company engaged in the acquisition, exploration, development and production of crude oil. As operator, we have production operations and conduct development activities in Gabon, West Africa. We have opportunities to participate in development and exploration activities as a non-operator in Equatorial Guinea, West Africa. As discussed further in Note 3 to the condensed consolidated financial statements, we have discontinued operations associated with our activities in Angola, West Africa, and in April 2017 we completed the sale of our interests in Montana

A significant component of our results of operations is dependent upon the difference between prices received for our offshore Gabon oil production and the costs to find and produce such oil. Oil and natural gas prices have been volatile and subject to fluctuations based on a number of factors beyond our control. Beginning in the third quarter of 2014, the prices for oil and natural gas began a dramatic decline which continued through 2015 and into early 2016. During this period, we scaled back our global operations, divested non-core assets, amended our credit agreement and focused on reducing costs and maximizing our cash flows. Current prices, while higher than those in early 2016, are significantly less than they were in the several years prior to mid-2014. A decline in oil and natural gas prices and a sustained period of oil and natural gas prices at depressed levels could have a material adverse effect on our financial condition.

CURRENT DEVELOPMENTS

During 2016, the global oil supply continued to outpace demand, having a dampening effect on the recovery of realized crude oil prices. While global oil supply and demand have been closer to being balanced during the first quarter of 2017, no assurances can be made that this trend will continue. Prices for crude oil improved during the second half of 2016 (ICE Dated Brent crude oil prices increased from approximately $36 per Bbl in early January 2016 to approximately $55 per Bbl at the end of 2016, and fluctuated between $50 and $56 per Bbl from January 2017 through April 2017).

On June 29, 2016, we executed a Supplemental Agreement with the IFC, the lender under our revolving credit facility which among other things, amended and restated our loan agreement to convert $20 million of the revolving portion of the credit facility into a term loan with $15 million outstanding at that date. The amended loan agreement also provided us with an option to borrow an additional $5 million in a single draw, subject to IFC approval, through March 15, 2017. On March 14, 2017, we borrowed $4.2 million under this Additional Term Loan. Currently, $ 15.4 million of our total indebtedness to the IFC is outstanding. See Note 5 to the condensed consolidated financial statements and "Capital Resources and Liquidity—Liquidity—Credit Facility" below for additional details about the loan agreement.

Taking into account the current levels of oil prices and our financial position, we intend to focus on maintaining oil production and lowering operating costs with respect to current production in our Etame Marin block located offshore Gabon. In early 2016, we determined that additional development drilling was uneconomic at then current commodity prices. In January 2016, we began demobilizing our contracted drilling rig and did not drill any wells in 2016 on the Etame Marin block. In June 2016, we reached an agreement with the drilling contractor to pay $5.1 million net to VAALCO's interest for unused rig days under the contract. We paid this amount, plus the demobilization charges, in seven equal monthly installments beginning in July 2016 and ending in January 2017.

Assuming oil and natural gas prices continue at current levels (and holding other variables constant), we believe that we will be able to generate cash flows sufficient to cover our operating expenses at least through June 30, 2018. However, our ability to secure additional or replacement financing for our future capital projects is currently limited. We cannot assure you that additional debt or equity financing or cash generated by operations will be sufficient, or even available, to meet our capital requirements.

Our common stock is listed and traded on the NYSE. On April 6, 2017, we received a notice from the NYSE that we were not in compliance with a provision of the NYSE's continued listing standards that require the average closing price of our common stock to be at least $1.00 per share over a consecutive 30-trading-day period. As of April 6, 2017, the 30 trading-day average closing price of the Company's common stock had been $0.97 per share. We have responded to the notification, and will have six months from our

receipt of the notice to regain compliance with the minimum share price rule. This notice from the NYSE does not affect our business operations or trigger any default or other violation of our debt or other material obligations.

ACTIVITIES BY ASSET

Gabon

Offshore – Etame Marin Block

Development and Production

We operate the Etame, Avouma/South Tchibala, Ebouri, Southeast Etame and the North Tchibala fields on behalf of a consortium of four companies. As of March 31, 2017, production operations in the Etame Marin block included eight platform wells, plus three subsea wells across all fields tied back by pipelines to deliver oil and associated natural gas through a riser system to allow for delivery, processing, storage and ultimately offloading the oil from a leased Floating, Production, Storage and Offloading vessel ("FPSO") anchored to the seabed on the block. The FPSO has production limitations of approximately 25,000 BOPD and 30,000 barrels of total fluids per day. During the three months ended March 31, 2017 and 2016, production from the block was approximately 1,539 MBbls (416 MBbls net) and 1,654 MBbls (404 MBbls net), respectively.

During the first quarter of 2016, we conducted workover operations on two Avouma field wells. An Electrical Submersible Pump ("ESP") system was replaced successfully in one well, but the workover operations on the second well were suspended due to operational problems with its ESP. During the second and third quarters of 2016, the ESPs in the South Tchibala 2-H well and the Avouma 2-H well also failed. These wells were temporarily shut-in but through our utilizing a lower-cost hydraulic workover unit to replace the failed ESP systems, the two wells were replaced back on production in December 2016 and January 2017, respectively.

As a result of our addition of these two workover wells, our current net production is averaging 4,600 barrels of oil equivalent per day (BOEPD), up from a 4,400 BOEPD average for the three months ended March 31, 2016.

Equatorial Guinea

We have a 31% working interest in an undeveloped portion of a block offshore Equatorial Guinea that we acquired in 2012. It is currently unlikely that we will be making any near-term expenditures with respect to any development of this property. Before beginning exploration, we and our partners will need to evaluate the timing and budgeting for development and exploration activities under a development and production area in the block, including the approval of a development and production plan. Our production sharing contract covering this development and production area provides for a development and production period of 25 years from the date of approval of a development and production plan.

Discontinued Operations - Angola

In November 2006, our Angolan subsidiary, VAALCO Angola (Kwanza), Inc., ("VAALCO Angola"), signed a production sharing contract for Block 5 offshore Angola ("PSA). The four year primary term, referred to as the Initial Exploration Phase (IEP"), with an optional three year extension, awarded VAALCO Angola exploration rights to 1.4 million acres offshore central Angola, with a commitment to drill two exploratory wells. The IEP was extended on two occasions to run until December 1, 2014. In October 2014, VAALCO Angola entered into the Subsequent Exploration Phase ("SEP") which extended the exploration period to November 30, 2017 and required VAALCO Angola and the co-participating interest owner, the Angolan national oil company, Sonangol P&P, to drill two additional exploration wells. VAALCO Angola's working interest is 40%, and it carries Sonangol P&P, for 10% of the work program. On September 30, 2016, VAALCO Angola notified Sonangol P&P that it was withdrawing from the joint operating agreement effective October 31, 2016. On November 30, 2016, VAALCO Angola notified the national concessionaire, Sonangol E.P., that it was withdrawing from the PSA. Further to the decision to withdraw from Angola, VAALCO Angola has taken actions to begin reducing its office in Angola and reducing future activities in Angola upon the approval of VAALCO Angola's withdrawal. As a result of this strategic shift, the Angola segment has been classified as discontinued operations in the condensed consolidated financial statements for all periods presented.

Drilling Obligation

Under the PSA, VAALCO Angola and the other participating interest owner, Sonangol P&P, were obligated to perform exploration activities that included specified seismic activities and drilling a specified number of wells during each of the exploration phases under the PSA. The specified seismic activities were completed, and one well, the Kindele #1 well, was drilled in 2015. The PSA provides a stipulated payment of $10.0 million for each exploration well for which a drilling obligation remains under the terms of the PSA, of which VAALCO Angola's participating interest share would be $5.0 million per well. We have reflected an accrual of $15.0 million for a potential payment as of March 31, 2017 and December 31, 2016, which represents what we believe to be the maximum potential amount attributable to VAALCO Angola's interest under the PSA. However, we are vigorously contesting this potential payment and believe that the ultimate amount paid, if any, will be substantially less than the accrued amount. We are currently engaged in discussions with representatives from Sonangol E.P. about such matters.

Other Matters – Partner Receivable

The government-assigned working interest partner was delinquent in paying their share of the costs several times in 2009 and was removed from the production sharing contract in 2010 by a governmental decree. Efforts to collect from the defaulted partner were abandoned in 2012. The available 40% working interest in Block 5, offshore Angola was assigned to Sonangol P&P effective on January 1, 2014. We invoiced Sonangol P&P for the unpaid delinquent amounts from the defaulted partner plus the amounts incurred during the period prior to assignment of the working interest totaling $7.6 million plus interest in April 2014. Because this amount was not paid and Sonangol P&P was slow in paying monthly cash call invoices since their assignment, we placed Sonangol P&P in default in the first quarter of 2015.

On March 14, 2016, we received a $19.0 million payment from Sonangol P&P for the full amount owed us as of December 31, 2015, including the $7.6 million of pre-assignment costs and default interest of $3.2 million. The $7.6 million recovery and default interest of $3.2 million is included in Income (loss) from discontinued operations, net of tax for the three months ended March 31, 2016.

CAPITAL RESOURCES AND LIQUIDITY

Cash Flows

Our cash flows for the three months ended March 31, 2017 and 2016 are as follows:

	Three Months Ended March 31,		Increase
	2017	2016	(Decrease)
Net cash provided by (used in) operating activities	**$ 4,098**	$ (180)	$ 4,278
Net cash used in continuing investing activities	**(782)**	(1,021)	239
Net cash provided by continuing financing activities	**455**	-	455
Net change in cash and cash equivalents	**$ 3,771**	$ (1,201)	$ 4,972

The increase in net cash provided by operating activities for the three months ended March 31, 2017 compared to the same period of 2016 was primarily related to: a $22.8 million increase in cash generated by continuing operations primarily as a result of higher 2017 crude oil prices and lower operating costs and expenses. This improvement was offset by $18.5 million of lower cash generated by discontinued operations. Cash generated by discontinued operations in the first quarter of 2016 reflected the benefit of a $19.0 million in payment from our joint interest partner.

Property and equipment expenditures have historically been our most significant use of cash in investing activities. During the three months ended March 31, 2017, these expenditures on a cash basis were $0.8 million, primarily related to equipment purchases. This compares to $1.5 million in the same period of 2016 which was primarily related to expenditures for wells drilled in 2015 These cash property and equipment expenditures are included in capital expenditures. See “Capital Expenditures” below for further discussion.

Capital Expenditures

During the three months ended March 31, 2017, we made accrual basis capital expenditures of $0.3 million. We had no accrual basis capital expenditures for the comparable period for the prior year.

At March 31, 2017, we had no material commitments for capital expenditures to be made in 2017 and in future years. We expect any capital expenditures made during 2017 will be funded by cash on hand and cash flow from operations.

Liquidity

As discussed above, our revenues, cash flow, profitability, oil and natural gas reserve values and future rates of growth are substantially dependent upon prevailing prices for oil and natural gas. Our ability to borrow funds and to obtain additional capital on attractive terms is also substantially dependent on oil and natural gas prices. Oil and gas prices stabilized at prices which are adequate to generate cash from operating activities for our continuing operations. We believe that at current prices, cash generated from continuing operations together with cash on hand at March 31, 2017 are adequate to support our operations and cash requirements during the remainder of 2017 and through June 30, 2018.

We and our partners have approved a budget which limits the amount of capital expenditures for 2017. As discussed in Note 7 to the condensed consolidated financial statements, we have put contracts in place at March 31, 2017 which limit our exposure to a decline in oil prices through December 31, 2017.

At December 31, 2016, we had 2.6 MMBOE of proved reserves, all of which are related to the Etame Marin block offshore Gabon. The current term for exploitation of the reserves in the Etame Marin block ends in June 2021, and we are focused on extending the license for the block, which could favorably improve our long-term liquidity. Except to the extent that we conduct successful exploration or development activities or acquire properties containing proved reserves, our estimated net proved reserves will generally decline as reserves are produced. While both short-term and long-term liquidity are impacted by crude oil prices, our long-term liquidity also depends upon our ability to find, develop or acquire additional oil and natural gas reserves that are economically recoverable.

Credit Facility

Historically, our primary sources of capital have been cash flows from operating activities, borrowings under the credit facility with the IFC and cash balances on hand. The current $15.4 million in outstanding indebtedness under our Term Loan matures in June 2019, and requires quarterly principal and interest payments on the amounts currently outstanding continuing through June 30, 2019. Interest accrues on the unpaid balance at the per annum rate of LIBOR plus 5.75%. The current portion of the outstanding debt was $8.3 million as of March 31, 2017. Our repayment obligations under this facility require us to pay installments of principal totaling $6.2 million for the remainder of 2017, $6.7 million in 2018 and $2.5 million in 2019.

The indebtedness under our amended loan agreement is secured by the assets of our Gabon subsidiary, VAALCO Gabon S.A. and is guaranteed by VAALCO Energy, Inc., as the parent company.

The amended loan agreement contains a number of restrictive covenants that impose significant operating and financial restrictions on us. These covenants restrict our ability to engage in certain actions, including potentially limiting our ability to sell assets, make future borrowings or incur other additional indebtedness. Our ability to meet our quarter-end net debt to EBITDAX ratio and our debt service coverage ratio can be affected by events beyond our control, including changes in commodity prices.

Under the amended loan agreement, quarter-end net debt to EBITDAX (as defined in the loan agreement) must be no more than 3.0 to 1.0. Additionally, our debt service coverage ratio must be greater than 1.2 to 1.0 at each quarter-end. Forecasting our compliance with these and other financial covenants in future periods is inherently uncertain. Factors that could impact our quarter-end financial covenants in future periods include future realized prices for sales of oil and natural gas, estimated future production, returns generated by our capital program, and future interest costs, among others. We are in compliance with all financial covenants as of March 31, 2017, and we expect to be in compliance with these covenants through maturity. However, there can be no assurance that we will be able to comply with these financial covenants in future periods. In addition, if we receive any waivers or amendments to our amended loan agreement, the lender may impose additional operating and financial restrictions on us.

A breach of the covenants under our amended loan agreement could result in an event of default under the agreement. Such a default may allow the lender to accelerate payment of the indebtedness under the agreement and may result in the acceleration of any other indebtedness to which a cross-acceleration or cross-default provision applies. Furthermore, if we were unable to repay the amounts due and payable under the loan agreement, the lender could proceed against the collateral that we granted to it to secure that indebtedness.

Cash on Hand

At March 31, 2017, we had unrestricted cash of $24.2 million. As operator of the Etame Marin and Mutamba Iroru blocks in Gabon, we enter into project related activities on behalf of our working interest partners. We generally obtain advances from partners prior to significant funding commitments.

We currently sell our crude oil production from Gabon under a term contract that ends in January 2018. Pricing under the contract is based upon an average of Dated Brent prices in the month of lifting, adjusted for location and market factors. We expect that we will be able to extend or enter into a new contract on comparable terms on or before January 2018.

Gabon

Abandonment

We have an agreed cash funding arrangement for the eventual abandonment of all offshore wells, platforms and facilities on the Etame Marin block. Based upon the abandonment study completed in January 2016, the abandonment cost estimate used for this purpose is approximately $61.1 million ($19.0 million net to VAALCO) on an undiscounted basis. The obligation for abandonment of the Gabon offshore facilities is included in the “Asset retirement obligations” line on our condensed consolidated balance sheet. Through March 31, 2017, $27.4 million ($8.5 million net to VAALCO) on an undiscounted basis has been funded. This cash funding is reflected under “Other noncurrent assets” as “Abandonment funding” on our condensed consolidated balance sheet. The next funding is expected to be $7.4 million ($2.3 million net to VAALCO) and paid in December 2017; however, future changes to the anticipated abandonment cost estimate could change our asset retirement obligation and the amount of future abandonment funding payments.

OFF-BALANCE SHEET ARRANGEMENTS

In connection with the charter of the FPSO (see “— Activities by Asset — Gabon — Offshore-Etame Marin Block”), we, as operator of the Etame Marin block, guaranteed all of the lease payments under the charter through its contract term, which expires in September 2020. At our election, the charter may be extended for two one-year periods beyond September 2020. We obtained guarantees from each of our partners for their respective shares of the payments. Our net share of the charter payment is 31.1%, or approximately $9.7 million per year. Although we believe the need for performance under the charter guarantee is remote, we recorded a liability of $0.6 million and $0.7 million as of March 31, 2017 and December 31, 2016, respectively, representing the guarantee’s fair value. The guarantee of the offshore Gabon FPSO lease has $109 million in remaining gross minimum obligations for the total amount of charter payments at March 31, 2017. There have been no other material off-balance sheet arrangements entered into since December 31, 2016.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

Other than the borrowing under the Additional Term Loan discussed in Note 5 to the condensed consolidated financial statements, there have been no significant changes to our commitments and contractual obligations subsequent to December 31, 2016.

CRITICAL ACCOUNTING POLICIES

There have been no changes to our critical accounting policies subsequent to December 31, 2016.

NEW ACCOUNTING STANDARDS

See Note 2 to the condensed consolidated financial statements.

RESULTS OF OPERATIONS

Three months ended March 31, 2017 compared to the three months ended March 31, 2016

We reported net income for the three months ended March 31, 2017 of $43 million compared to a net loss of $7.6 million for the same period of 2016. This income (loss) is inclusive of loss from discontinued operations for the three months ended March 31, 2017 of $0.2 million and income from discontinued operations for the three months ended March 31, 2016 of $7.8 million. Further discussion of results by significant line item follows.

Oil and natural gas revenues increased $10.3 million, or approximately 94%, during the three months ended March 31, 2017 compared to the same period of 2016. Based on the average realized oil prices in the table below, a substantial portion of the increase in revenue is related to realized oil prices, which are due to increases in the Dated Brent market price.

The revenue changes in the three months ended March 31, 2017 compared to the three months ended March 31, 2016 identified as related to changes in price or volume are shown in the table below:

(in thousands)	
Price	$ 9,818
Volume	302
Other	170
	$ 10,290

	Three Months Ended March 31,	
	2017	2016
Gabon net oil production (MBbls)	416	404
Gabon net oil sales (MBbls)	394	380
U.S. net oil sales (MBbls)	-	1
Net oil sales (MBbls)	394	381
Net natural gas sales (MMcf)	-	32
Net oil equivalents (MBOE)	394	386
Average realized oil price ($/Bbl)	$51.99	$27.07
Average realized natural gas price ($/Mcf)	-	1.57
Weighted average realized price ($/BOE)	51.99	27.05
Average Dated Brent spot* ($/Bbl)	53.59	33.84

*Average of daily Dated Brent spot prices posted on the U.S. Energy Information Administration website.

Crude oil sales are a function of the number and size of crude oil liftings in each quarter from the FPSO, and thus crude oil sales do not always coincide with volumes produced in any given quarter. We made three liftings in the first quarters of both 2017 and 2016. Our share of oil inventory aboard the FPSO, excluding royalty barrels, was approximately 64,000 and 52,000 barrels at March 31, 2017 and 2016, respectively.

Production expenses decreased $3.3 million, or approximately 29%, in the three months ended March 31, 2017 compared to the same period of 2016, primarily as a result of $4.3 million for workovers performed in the three months ended March 31, 2016 on two Avouma field wells, partially offset by an increase of approximately $0.5 million for customs fees in 2017.

Depreciation, depletion and amortization ("DD&A") decreased $0.4 million, or approximately 16%, in the three months ended March 31, 2017 compared to the same period of 2016 due to the favorable impact of depleting our costs over a higher reserve base as a result of improvements in estimated reserves identified at December 31, 2016.

General and administrative expenses increased $0.9 million, or approximately 39% in the three months ended March 31, 2017 compared to the same period of 2016. The 2017 period was impacted by a reduction in the amount of overhead expenses we are able to recover from our partners. Under our operating agreements the amount of overhead expenses recoverable is larger when overall expenditures are higher.

Bad debt expense and other for the three months ended March 31, 2017 and 2016 related primarily to allowance of Value added tax receivable ("VAT").

Other operating expenses for the three months ended March 31, 2016 is related to the demobilization and release of the previously-contracted drilling rig in Gabon.

General and administrative related to shareholder matters for the three months ended March 31, 2016 reflects offsetting insurance proceeds related to costs incurred on shareholder litigation that was settled in 2016.

Other, net for the three months ended March 31, 2017 consists primarily of derivative instrument losses as discussed in Note 7 to the condensed consolidated financial statements and foreign currency gains (losses). Other, net for the three months ended March 31, 2016 consists primarily of foreign currency gains.

Income tax expense increased $1.5 million in the three months ended March 31, 2017 compared to the same period of 2016. Income tax expense in both periods is primarily attributable to our operations in Gabon and is higher in 2017 than income tax for the comparable 2016 period as a result of higher revenues.

Income (loss) from discontinued operations for the three months ended March 31, 2017 is attributable to our Angola segment as discussed further in Note 3 to the condensed consolidated financial statements. The small loss from these discontinued operations for this quarter related to ongoing administrative costs. For the three months ended March 31, 2016 we reported income from discontinued operations as a result of $7.6 million of bad debt recovery and $3.2 million of collected default interest.

ITE M 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

MARKET RISK

We are exposed to market risk, including the effects of adverse changes in commodity prices, foreign exchange rates and interest rates as described below.

FOREIGN EXCHANGE RISK

Our results of operations and financial condition are affected by currency exchange rates. While oil sales are denominated in U.S. dollars, portions of our costs in Gabon are denominated in the local currency (the Central African CFA Fran, or XAF), and our VAT receivable in Gabon is also denominated in XAF. A weakening U.S. dollar will have the effect of increasing costs while a strengthening U.S. dollar will have the effect of reducing costs. For our VAT receivable in Gabon, a strengthening U.S. dollar will have the effect of decreasing the value of this receivable resulting in foreign exchange losses, and vice versa. The Gabon local currency is tied to the Euro. The exchange rate between the Euro and the U.S. dollar has historically fluctuated in response to international political conditions, general economic conditions and other factors beyond our control.

INTEREST RATE RISK

The floating interest rate on our amended loan agreement exposes us to risks associated with changes in interest rates (LIBOR). At March 31, 2017 and December 31, 2016, we had $15.4 million and $15.0 million, respectively, gross of deferred financing costs of $0.5 million and $0.6 million, respectively, in borrowings outstanding with the IFC. Fluctuations in floating interest rates will cause our interest costs to fluctuate. For the three months ended March 31, 2017 and 2016, the average effective interest rates on our debt, excluding commitment fees, were 6.75% and 4.36%, respectively. If the balance of the debt at March 31, 2017 were to remain constant, a 1% change in market interest rates would impact our cash flow by an estimated $123,000 per year. As future quarterly repayments of the loan reduce the principal amount of the term loan, our cash flow becomes less sensitive to fluctuations in interest rate.

COUNTERPARTY RISK

We are exposed to market risk on our open derivative instruments related to potential nonperformance by our counterparty. To mitigate this risk, we enter into such derivative contracts with creditworthy financial institutions deemed by management as competent and competitive market makers.

COMMODITY PRICE RISK

Our major market risk exposure continues to be the prices received for our oil and natural gas production. Sales prices are primarily driven by the prevailing market prices applicable to our production. Market prices for oil and natural gas have been volatile and unpredictable in recent years, and this volatility may continue. Beginning in the third quarter of 2014, the prices for oil and natural gas began a dramatic declinewhich continued through the first half of 2016. Current prices remain significantly lower than they were in years prior to 2015. Sustained low oil and natural gas prices or a resumption of the decreases in oil and natural gas prices could have a material adverse effect on our financial condition, the carrying value of our proved reserves, our undeveloped leasehold interests and our ability to borrow funds and to obtain additional capital on attractive terms. If oil sales were to remain constant at the most recent quarterly sales volumes of 394 MBbls, a $5 per Bbl decrease in oil price would be expected to cause a $2.0 million decrease per quarter ($7.9 million annualized) in revenues and operating income (loss) and a $1.7 million decrease per quarter ($6.7 million annualized) in net income.

As of March 31, 2017, we had unexpired oil puts with a fair value asset position of $1.0 million. While these crude oil derivative contracts are intended to be an economic hedge, they are not designated as hedges for accounting purposes. The contracts are measured at fair value at the end of each quarter, with changes in value flowing through net income. See Note 7 to the condensed consolidated financial statements for further information about these contracts, their fair value and their impact on our net income.

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

We performed an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. The evaluation was performed with the participation of senior management, under the supervision of the principal executive officer and principal financial officer. Based on this evaluation, the principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective due to the existence of previously reported material weaknesses as of the end of the period covered by this Quarterly Report on Form 10-Q The material weaknesses were identified and discussed in "Part II – Item 9A – Controls and Procedures" of our Annual Report on Form 10-K for the year ended December 31, 2016.

Notwithstanding the identified material weaknesses, management, including our principal executive officer and principal financial officer, believes the consolidated financial statements included in this Quarterly Report on Form 10-Q fairly represent in all material respects our financial condition, results of operations and cash flows at and for the periods presented in accordance with U.S. GAAP.

DESCRIPTION OF MATERIAL WEAKNESSES

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system is designed to provide reasonable assurance to our management and Board of Directors regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes.

Our management conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2016. This assessment was based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control—Integrated Framework* (2013 framework). Based on this assessment, because of the effect of the material weaknesses, as described in the following paragraph, management determined that our internal control over financial reporting was not effective as of December 31, 2016. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements could occur but will not be prevented or detected on a timely basis.

At December 31, 2016, management determined that the effectiveness and timeliness of the performance of controls related to the review of financial reports, the review of account reconciliations and the evaluation and reporting of significant and unusual transactions was not adequate to ensure that the material weakness in internal control identified in 2015 had been fully remediated. Management also determined that as of December 31, 2016 there is a material weakness related to the execution of the control for the physical count of operational spares (included in the equipment line in the consolidated balance sheet) which is performed annually to validate its existence.

REMEDIATION EFFORTS TO ADDRESS MATERIAL WEAKNESSES

In response to the identified material weaknesses at December 31, 2016, our management, with oversight from our Audit Committee, is taking the following actions to remediate the material weaknesses described above:

- Hiring additional permanent employees for key roles in accounting and finance which are currently being performed by professional consultants.

- Continue to improve the timing of the periodic financial close, reporting process and analysis of results through the use of a detailed financial close plan and expanded reporting of financial data to senior management.
- Training of personnel and development of policies and procedures related to the periodic validation of equipment used in operations.

Management is committed to improving our internal control processes and believes that the measures described above should remediate the material weaknesses identified and strengthen internal control over financial reporting. As we continue to evaluate and improve internal control over financial reporting, additional measures to remediate the material weaknesses or modifications to certain of the remediation procedures described above may be necessary. We expect to complete the required remedial actions during 2017.

While senior management and our Audit Committee are closely monitoring the implementation of these remediation plans, we cannot provide any assurance that these remediation efforts will be successful or that internal control over financial reporting will be effective as a result of these efforts. Until the remediation steps set forth above are fully implemented and operating for a sufficient period of time, the material weaknesses that exists at March 31, 2017 will continue to exist.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

Except for the activities taken related to the remediation of the material weaknesses described above, there were no changes in our internal control over financial reporting that occurred during three months ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are subject to litigation claims and governmental and regulatory proceedings arising in the ordinary course of business. It is management's opinion that all claims and litigation we are involved in are not likely to have a material adverse effect on our consolidated financial position, cash flows or results of operations.

MCDONOUGH LITIGATION

On December 7, 2016, a lawsuit was filed against the Company alleging that a former worker on the Company's oil and gas platforms off the coast of Gabon was terminated because of his age in violation of the Age Discrimination in Employment Act and the Texas Commission on Human Rights Act. The Plaintiff seeks damages for lost wages and benefits as well as attorneys' fees. The case is pending in the U.S. District Court for the Southern District of Texas and is styled as McDonough v. VAALCO Energy, Inc., No. 4:17-cv-00361. In a February 2017 demand letter, the plaintiff made a demand for $361,000 to settle this claim. We intend to defend the claim vigorously, and we do not expect that this claim will have a material effect on our financial condition, results of operations or liquidity.

ITEM 1A. RISK FACTORS

Our business faces many risks. Any of the risks discussed elsewhere in this Form 10-Q and our other SEC filings could have a material impact on our business, financial position or results of operations. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also impair our business operations.

For a discussion of our potential risks and uncertainties, see the information in Item 1A "Risk Factors" in our 2016 Form 10-K. There have been no material changes in our risk factors from those described in our 2016 Form 10-K.

ITE M 6. EXHIBITS

(a) **Exhibits**

3.1	Certificate of Incorporation as amended through May 7, 2014 (filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed on November 10, 2014, and incorporated herein by reference).
3.2	Second Amended and Restated Bylaws (filed as Exhibit 3.2 to the Company's Current Report on Form 8-K filed on September 28, 2015, and incorporated herein by reference).
3.3	First Amendment to the Second Amended and Restated Bylaws (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed on December 23, 2015, and incorporated herein by reference).
10.1*	Employment Agreement, effective April 17, 2017, between VAALCO Energy, Inc. and Philip Patman, Jr. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 18, 2017, and incorporated herein by reference)
10.2(a)*	Standalone Restricted Stock Award Agreement for restricted stock granted to Philip Patman, Jr. on April 17, 2017
10.3(a)*	Standalone Nonstatutory Stock Option Award Agreement for stock options granted to Philip Patman, Jr. on April 17, 2017
31.1(a)	Sarbanes-Oxley Section 302 certification of Principal Executive Officer.
31.2(a)	Sarbanes-Oxley Section 302 certification of Principal Financial Officer.
32.1(b)	Sarbanes-Oxley Section 906 certification of Principal Executive Officer.
32.2(b)	Sarbanes-Oxley Section 906 certification of Principal Financial Officer.
101.INS(a)	XBRL Instance Document.
101.SCH(a)	XBRL Taxonomy Schema Document.
101.CAL(a)	XBRL Calculation Linkbase Document.
101.DEF(a)	XBRL Definition Linkbase Document.
101.LAB(a)	XBRL Label Linkbase Document.
101.PRE(a)	XBRL Presentation Linkbase Document.

(a) Filed herewith

(b) Furnished herewith

* Management contract or compensatory plan or arrangement

SIGNATURE

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

VAALCO ENERGY, INC.
(Registrant)

By : /s/ Elizabeth D. Prochnow
Elizabeth D. Prochnow
Controller and Chief Accounting Officer
(on behalf of the Registrant)

Dated: May 8, 2017

EXHIBIT INDEX

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(a) Filed herewith

(b) Furnished herewith

*Management contract or compensatory plan or arrangement

Exhibit 10.2

VAALCO ENERGY, INC.
STANDALONE RESTRICTED STOCK AWARD AGREEMENT

THIS RESTRICTED STOCK AGREEMENT (the **" Agreement"**) is made and entered into by and between VAALCO Energy, Inc., a Delaware corporation (the **" Company"**) and **Philip F. Patman, Jr.**, an individual (**" Grantee"**), on the 17th day of April 2017 (the **" Grant Date"**). Capitalized terms not defined in the body of this Agreement shall have the meanings assigned to them in Appendix A hereto.

WHEREAS, the Company desires to grant restricted shares of the Company's common stock (the " **Common Stock**") to Grantee (the " **Award**"), subject to the terms and conditions of this Agreement, as an inducement for Grantee to accept employment as Chief Financial Officer of the Company; and

WHEREAS, the Compensation Committee of the Board of Directors of the Company (the " **Committee**"), comprised solely of independent directors within the meaning of the rules of the New York Stock Exchange (" **NYSE**") who are also non-employee directors within the meaning of Rule 16b-3b(3)(i) under the Exchange Act, has approved the issuance of the Award as an " inducement award" within the meaning of NYSE Rule 303A.08; and

WHEREAS, Grantee desires to be the holder of shares of Common Stock subject to the terms and conditions of this Agreement; and

WHEREAS, Restricted Shares (as defined in Section 1, below) will be issued by the Company in the Grantee's name and be issued and outstanding for all purposes (except as provided below) but held by the Company (together with the stock power set forth below) until such time as all or part of such Restricted Shares become vested by reason of the lapse of the applicable restrictions, after which time the Company shall make delivery of the Vested Shares (as defined in Section 2, below) to Grantee; and

WHEREAS, the Restricted Shares are to be issued under the Award as a standalone award agreement and not pursuant to any of the Company's equity compensation plans; and

WHEREAS, the Company and Grantee understand and agree that the Award is in all respects subject to the terms and provisions set forth herein;

NOW, THEREFORE, in consideration of the premises, mutual covenants and agreements contained herein, and such other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Grant of Common Stock. Subject to the restrictions, vesting, forfeiture, and other terms and conditions set forth herein (a) the Company hereby grants to Grantee, ONE HUNDRED FIVE THOUSAND SEVEN HUNDRED NINETY FOUR (105,794) Shares of Common Stock (the **" Restricted Shares"**), and (b) Grantee shall have all rights

and privileges of ownership of the Restricted Shares subject to the terms and conditions of this Agreement.

2. Transfer Restrictions.

(a) Grantee shall not sell, assign, exchange, pledge, encumber, gift, devise, hypothecate or otherwise transfer (individually and collectively, **" Transfer"**) any Restricted Shares unless and until vested. The Transfer restrictions shall lapse in accordance with the vesting schedule set out below in Section 2(e) (the " **Vesting Schedule**"), when the Restricted Shares become vested provided that Grantee then is, and continuously from the Grant Date has been, an employee of the Company and there has been no termination of Employment before the applicable vesting date under the Vesting Schedule, except due to a Post-Separation Change in Control as defined in Section 2(e). The Restricted Shares as to which such restrictions have lapsed are referred to herein as **" Vested Shares."**

(b) The Restricted Shares shall be registered in Grantee's name as of the Grant Date through a book entry credit in the records of the Company's transfer agent, but shall be restricted as described herein from the Grant Date and during the period prior to the vesting of such Shares under the Vesting Schedule (the " **Restriction Period**"). During the Restriction Period, any certificates representing the Restricted Shares shall carry a legend evidencing the restrictions of this Agreement.

(c) If, from time to time during the Restriction Period, there is any stock dividend, stock split, reorganization, recapitalization, merger, or other similar event described in Section 9, any and all new, substituted, additional, or other securities to which Grantee is entitled by reason of his ownership of the Restricted Shares shall be considered Restricted Shares for purposes of this Agreement and shall thus be subject to the restrictions described in this Agreement during the Restriction Period.

(d) Subject to the restrictions set forth in this Agreement, Grantee shall have all the rights of a stockholder with respect to the Restricted Shares, including any applicable voting and dividend rights. In the event of forfeiture of the Restricted Shares, Grantee shall have no further rights with respect to such Restricted Shares. The forfeiture of any Restricted Shares shall not create any obligation to repay any cash dividends received as to such Restricted Shares, nor shall such forfeiture invalidate any votes given by Grantee with respect to such Restricted Shares prior to forfeiture.

(e) The restrictions on the Restricted Shares shall lapse and such Restricted Shares shall become (i) Vested Shares with respect to the specified percentage of the Restricted Shares on the dates set forth in clauses (1) though (3) below, and (ii) will become 100% vested and non-forfeitable on the occurrence (if any) of the earliest of the dates set forth in clauses (4) through (6) below:

(1) 34% of the Restricted Shares on the date of the first anniversary of the Grant Date if Grantee is then still in Employment;

(2) 33% of the Restricted Shares on the date of the second anniversary of the Grant Date if Grantee is then still in Employment;

(3) the remaining balance of the Restricted Shares on the date of the third anniversary of the Grant Date if Grantee is then still in Employment;

(4) the date of the Grantee's termination of Employment due to his death or Disability;

(5) the effective date of a Change in Control if Grantee is then still in Employment; and

(6) the date of a Post-Separation Change in Control, as defined below.

For purposes of this Agreement, the term "**Post-Separation Change in Control**" means a Change in Control which follows the date of Grantee's termination of Employment for any reason other than for Cause or due to his death or Disability, and which results from the "**Commencement of a Change in Control**" that occurs prior to such termination date. For all purposes of this Agreement, the term "Commencement of a Change in Control" means the date on which any material action, including without limitation through a written offer, open-market bid, corporate action, proxy solicitation or otherwise, is taken by a "person" (as defined in Section 13(d) or Section 14(d)(2) of the Exchange Act), or a "group" (as defined in Section 13(d)(3) of the Exchange Act), or their affiliates, to commence efforts that, within 12 months after the date of such material action, leads to a Change in Control involving such person, group, or their affiliates.

(f) During the Restriction Period, Grantee shall not sell, transfer, pledge, assign, alienate, hypothecate, or otherwise encumber or dispose of the Restricted Shares other than by will or the laws of descent and distribution. Any attempt to do so contrary to the foregoing shall be null and void.

(g) Any Restricted Shares forfeited hereunder shall be cancelled. Any certificate(s) representing Restricted Shares which include forfeited Shares shall only represent the number of Restricted Shares not forfeited hereunder. Upon the Company's request, Grantee agrees to tender to the Company any certificate(s) representing Restricted Shares which include forfeited Shares for a new certificate representing only the unforfeited number of Restricted Shares.

3. Termination of Employment, Death or Disability.

(a) Termination of Employment. If the Grantee's Employment is terminated for any reason, other than due to his death or Disability or incident to a Post-Separation Change in Control, any non-vested portion of the Award shall automatically expire and terminate and no further vesting shall occur after the termination of Employment date.

(b) Death or Disability. Upon termination of Grantee's Employment as a result of his Disability or death, any non-vested portion of the Award shall immediately become fully vested upon the termination of Employment date.

(c) Change in Control. In the event of a (i) Change in Control if Grantee is still in Employment or (ii) Post-Separation Change in Control if he is not still in Employment, any non-vested portion of the Award shall immediately become fully vested on the effective date of the Change in Control.

4. Issuance of Certificate.

(a) The Restricted Shares shall not be transferred until they become Vested Shares. Further, the Vested Shares may not be sold or otherwise disposed of in any manner that would constitute, in the opinion of counsel for the Company, a violation of any applicable federal or state securities or other laws or regulations, or any rules or regulations of any stock exchange on which the Common Stock is listed. The Company may cause to be issued a stock certificate, registered in the name of the Grantee, evidencing the Restricted Shares upon receipt of a stock power duly endorsed in blank with respect to such Shares. Each such stock certificate shall bear the following or a substantially similar legend:

The transferability of this certificate and the shares of stock represented hereby are subject to the restrictions, terms and conditions (including forfeiture and restrictions against transfer) contained in the Standalone Restricted Stock Award Agreement entered into between the registered owner of such shares and VAALCO Energy, Inc. A copy of the Standalone Restricted Stock Award Agreement is on file in the main corporate offices of VAALCO Energy, Inc.

(b) The certificate, together with the stock powers relating to the Restricted Shares evidenced by such certificate, shall be held by the Company. The Company shall issue to Grantee a receipt evidencing the certificates held by it which are registered in the name of Grantee.

(c) Upon the vesting of any Restricted Shares, the Company shall direct its transfer agent to record such Shares as unrestricted or to deliver to Grantee certificates evidencing such Shares. If certificates are delivered to Grantee, such certificates shall not bear the legend referenced in Section 4(a). Nothing herein shall obligate the Company to register the Shares pursuant to any applicable securities law or to take any other affirmative action in order to cause the issuance or transfer of the Shares to comply with any law or regulation of any governmental authority. Grantee will enter into such written representations and agreements as the Company or Committee may reasonably request to comply with any securities law or regulation.

(d) It is the intent of the Company that, to the fullest extent possible, the grant of the Award to Grantee, who is or may become subject to Section 16 of the Exchange Act, shall be exempt from such Section 1 6 pursuant to an exemption under Rule 16b-3(d)(1) (except for transactions acknowledged in writing to be non-exempt by Grantee).

5 . Grantee's Representations. Grantee has been given an opportunity to review the financial statements of the Company and is receiving these Restricted Shares for his own benefit, not with an intention to resell. Notwithstanding any provision hereof to the contrary, the Grantee hereby agrees and covenants that Grantee will not acquire any Restricted Shares, and that the Company will not be obligated to issue any Restricted Shares or unrestricted Shares to the Grantee hereunder, if the issuance of such Shares would constitute a violation by the Grantee or the Company of any applicable federal or state securities or other laws or regulations, or any rules or regulations of any stock exchange on which the Common Stock is listed, as determined by legal counsel for the Company. The rights and obligations of the Company and the Grantee hereunder are subject to all applicable laws and regulations.

6 . Tax Withholding. To the extent that the receipt or vesting of Restricted Shares results in compensation income to Grantee for any tax purposes, Grantee shall deliver to Company at such time the sum that the Company requires to meet its tax withholding obligations under applicable law or regulation, and, if Grantee fails to do so, the Company is authorized to (a) withhold from any cash or Shares remuneration then or thereafter payable to Grantee any federal, state, local or foreign tax that Company determines is required to be withheld, or (b) sell such number of Shares before their transfer to Grantee as is deemed appropriate to satisfy such tax withholding requirements, before transferring the resulting net number of Shares to Grantee in full satisfaction of the Company's obligations under this Agreement.

7. Compliance with Code Section 409A

. The Restricted Shares are not intended to be subject to Section 409A of the U.S. Internal Revenue Code of 1986, as amended (" **Section 409A**"), and this Agreement shall be interpreted and administered to be exempt from the application of Section 409A to the full extent possible.

8. Administration.

(a) The Award and this Agreement relating thereto shall be administered by the Committee except to the extent the Board elects to administer the Award, in which case references herein to the " Committee" shall be deemed to include references to the " Board." The Committee shall have the authority, in its sole and absolute discretion, to: (i) interpret and administer the Award and the Agreement; (ii) establish, amend, suspend, or waive rules and regulations used to administer the Award, (iii) accelerate the date on which the restrictions on the Award lapse; and (iv) make any other determination and take any other action that the Committee deems to be necessary or desirable for the administration of the Award, including to correct any defect, supply any omission or reconcile any

conflict between the Agreement and the Grantee's other terms and conditions of employment.

(b) The Committee may delegate any or all of its powers and duties under the Award, subject to such terms as the Committee shall determine, to perform such functions, including administrative functions, as the Committee may determine, to the extent that such delegation does not (i) violate applicable law or (ii) result in the loss of an exemption under Rule 16b-3(d)(1). The Committee may also appoint agents to assist it in administering the Award that are employees (whether or not such employee is an officer).

9. Change in Stock and Adjustments

(a) Changes in Law or Circumstances. Subject to the Change in Control provisions of this Agreement, in the event of any change in applicable law or any change in circumstances which results in or would result in dilution of any rights granted under this Agreement, or which otherwise warrants an equitable adjustment because it interferes with the intended operation of this Agreement, then, if the Committee should so determine, in its discretion, that such change equitably requires an adjustment in the number or kind of stock or other securities or property theretofore subject, or which may become subject, to issuance or transfer under this Agreement, such adjustment shall be made in accordance with such determination. Such adjustments may include changes with respect to the aggregate number of Restricted Shares issued under this Agreement. The Committee shall give notice to the Grantee of such adjustment which shall be effective and binding.

(b) Exercise of Corporate Powers. The existence of this Agreement shall not affect in any way the right or power of the Company or its shareholders or Affiliates to make or authorize any or all adjustments, recapitalization, reorganization or other changes in the Company's capital structure or its business or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or prior preference stocks ahead of or affecting the Common Stock or the rights thereof, or the dissolution or liquidation of the Company or any Affiliate, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding whether of a similar character or otherwise.

(c)Recapitalization of the Company. Subject to the Change in Control provisions of this Agreement, if while the Award is outstanding, the Company shall effect any subdivision or consolidation of Common Stock or other capital readjustment, the payment of a stock dividend, stock split, combination of Shares, recapitalization or other increase or reduction in the number of Shares outstanding, without receiving compensation therefor in money, services or property, then the number of Restricted Shares granted under this Agreement shall (i) in the event of an increase in the number of Shares outstanding, be proportionately increased and the Fair Market Value of the outstanding Award

shall be proportionately reduced; and (ii) in the event of a reduction in the number of Shares outstanding, be proportionately reduced, and the Fair Market Value of the outstanding Award shall be proportionately increased. The Company shall take such action and whatever other action it deems appropriate, in its discretion, so that the value of the Award to the Grantee shall not be adversely affected by a corporate event described in this Section.

(d) Issue of Common Stock by the Company. Except as hereinabove expressly provided in this Section 9 and subject to the Change in Control provisions of this Agreement, the issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, for cash or property, or for labor or services, either upon direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon any conversion of Shares or obligations of the Company convertible into such Shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number of or Fair Market Value of the Award then outstanding; provided, however, in such event, any then outstanding Restricted Shares shall be treated in the same manner for such purpose as outstanding unrestricted Shares.

10. Change in Control and Other Events.

(a) Notwithstanding any other provisions herein to the contrary, effective upon a Change in Control or changes in the outstanding Shares by reason of a recapitalization, reorganization, merger, consolidation, combination, exchange or other relevant change in capitalization occurring after the Grant Date and not otherwise provided for by this Section 10, the Committee, acting in its discretion, may effect one or more of the following alternatives: (i) provide for a cash payment with respect to Restricted Shares by requiring the mandatory surrender to the Company by Grantee or any permitted transferees of some or all of the Restricted Shares (irrespective of whether the Award is then vested) as of a date, before or after such Change in Control, specified by the Committee, in which event the Committee shall thereupon cancel the Award (with respect to all shares subject to such Award) and pay to Grantee or permitted transferee an amount of cash or other consideration including securities or other property (other than a dividend equivalent payable in cash) equal to the Change in Control Price (as defined below); or (ii) make such adjustments to the Award as the Committee deems appropriate to reflect such pending or effective Change in Control in an equitable and appropriate manner (including, but not limited to, (x) the substitution, assumption, or continuation of the Award by the successor company or a parent, subsidiary or affiliate thereof for new awards of that successor, and (y) the adjustment as to the number and price of Shares or equity of the successor entity or other consideration subject to the Award); provided, however, that the Committee may determine, in its sole discretion, that no adjustment is necessary to the Award.

(b) The term " **Change in Control Price**" means (i) if the Change in Control is the result of a tender or exchange offer for, consolidation or merger of, sale of

the assets of, or the liquidation or dissolution of, the Company, the consideration per Share received by the shareholders of the Company in connection with such transaction, or, if clause (i) is not applicable, (ii) the highest Fair Market Value of a Share during the sixty (60) day period prior to and including the effective date of the Change in Control. To the extent that the consideration paid in any such transaction described in clause (i) above consists all or in part of securities or other non-cash consideration, the value of such securities and other non-cash consideration shall be the fair cash equivalent as determined by such reasonable methods or procedures as shall be established by the Committee.

11. Conditions to Delivery of Common Stock. Nothing shall require the Company to issue any Shares with respect to the Award if that issuance would, in the opinion of counsel for the Company, constitute a violation of the Securities Act or any similar or superseding statute or statutes, any other applicable statute or regulation, or the rules of any applicable securities exchange or securities association, as then in effect. In addition, Grantee shall not sell or otherwise dispose of any acquired Shares upon vesting of the Restricted Shares in any manner that would constitute a violation of any applicable federal or state securities laws, or the rules, regulations or other requirements of the Securities and Exchange Commission or any stock exchange upon which the Common Stock is then listed.

12. Evidencing Common Stock. The Shares delivered pursuant to the Award may be evidenced in any manner deemed appropriate by the Company in its sole discretion, including, but not limited to, in the form of a certificate issued in the name of the Grantee or by book entry, electronic or otherwise and shall be subject to such stop transfer orders and other restrictions as the Company may deem advisable under the Award or the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Common Stock or other securities are then listed, and any applicable federal, state or other laws, and the Company may cause a legend or legends to be inscribed on any such certificates to make appropriate reference to such restrictions. If certificates representing Restricted Shares are registered in the name of the Grantee, the Company may require that such certificates bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Restricted Shares, that the Company retain physical possession of the certificates, and that the Grantee deliver a stock power to the Company, endorsed in blank, related to the Restricted Shares.

13. Interpretation

The meaning assigned to each term defined herein shall be equally applicable to both the singular and the plural forms of such term and vice versa, and words denoting either gender shall include both genders as the context requires. Where a word or phrase is defined herein, each of its other grammatical forms shall have a corresponding meaning. The terms " hereof," " herein" and " herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement. When a reference is made in this Agreement to a Section, such reference is to a Section of this Agreement unless otherwise specified. The terms " include", " includes", and " including" when used in this Agreement shall be deemed to be followed by the words "without limitation", unless otherwise specified. A reference to any party to this

Agreement or any other agreement or document shall include such party's predecessors, successors, and permitted assigns. Reference to any law means such law as amended, modified, codified, replaced, or reenacted, and all rules and regulations promulgated thereunder. All captions contained in this Agreement are for convenience of reference only, do not form a part of this Agreement, and shall not affect in any way the meaning or interpretation of this Agreement. The parties have participated jointly in the negotiation and drafting of this Agreement; therefore any rule of construction or interpretation otherwise requiring this Agreement to be construed or interpreted against any party by virtue of the authorship of this Agreement shall not apply to the construction and interpretation hereof.

14. Grantee Acknowledgment

. Grantee acknowledges that (a) he is knowledgeable and sophisticated as to business matters, including the subject matter of this Agreement, (b) he has read this Agreement and understands its terms and conditions, (c) he has had ample opportunity to discuss this Agreement with his legal counsel and tax advisors prior to execution, and (d) no strict rules of construction shall apply for or against the drafter or any other party. It is the desire of the parties hereto that this Agreement be enforced to the maximum extent permitted by law, and should any provision contained herein be held invalid or otherwise unenforceable by a court of competent jurisdiction, the parties hereby agree and confirm that such provision shall be reformed to create a valid and enforceable provision to the maximum extent permitted by law.

15. Miscellaneous.

(a) Certain Transfers Void. Any purported transfer of any Restricted Shares or unrestricted Shares in breach of any provision of this Agreement shall be void and ineffective, and shall not operate to transfer any interest or title in the purported transferee.

(b) No Fractional Shares. All provisions of this Agreement concern whole Shares. If the application of any provision hereunder would yield a fractional Share, such fractional Share shall be rounded down to the next whole Share if it is less than 0.5 and rounded up to the next whole Share if it is 0.5 or more.

(c) Not an Employment Agreement. This Agreement is not an employment agreement, and no provision of this Agreement shall be construed or interpreted to create any employment relationship between Grantee and the Company for any guaranteed time period. The Employment of Grantee shall be subject to termination to the same extent as if this Agreement had not been executed.

(d) Notices. Any notice, instruction, authorization, request or demand required hereunder shall be in writing, and shall be delivered either by personal in-hand delivery, by telecopy or similar facsimile means, by certified or registered mail, return receipt requested, or by courier or delivery service, addressed to the Company at its then current main corporate address, and to Grantee at his address indicated on the Company's records, or at such other address and number as a party has last previously designated by written notice given to the other party in the manner hereinabove set forth. Notices shall be deemed given when received, if sent by facsimile means (confirmation of such receipt by

confirmed facsimile transmission being deemed receipt of communications sent by facsimile means); and when delivered and receipted for (or upon the date of attempted delivery where delivery is refused), if hand-delivered, sent by courier or delivery service, or sent by certified or registered mail, return receipt requested.

(e) Amendment, Termination and Waiver. This Agreement may be amended, modified, terminated or superseded only by written instrument executed by or on behalf of the Company and Grantee. Any waiver of the terms or conditions hereof shall be made only by a written instrument executed and delivered by the party waiving compliance. Any waiver granted by the Company shall be effective only if approved by the Committee and executed and delivered by a duly authorized executive officer of the Company other than Grantee. The failure of any party at any time or times to require performance of any provisions hereof shall in no manner affect the right to enforce the same. No waiver by any party of any term or condition herein, or the breach thereof, in one or more instances shall be deemed to be, or construed as, a further or continuing waiver of any such condition or breach or a waiver of any other condition or the breach of any other term or condition.

(f) No Guarantee of Tax Consequences. The Company makes no commitment or guarantee that any tax treatment will apply or be available to Grantee or any other person. The Grantee has been advised, and provided with the opportunity, to obtain independent legal and tax advice regarding the grant, vesting, Transfer and the disposition of any Restricted Shares.

(g) Severability. Any provision of this Agreement which is ruled to be invalid or unenforceable in any applicable jurisdiction shall be ineffective to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining provisions hereof, and any such invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

(h) Supersedes Prior Agreements. This Agreement shall supersede and replace all prior agreements, promises and understandings, oral or written, between the Company and the Grantee regarding the Restricted Shares covered hereby.

(i) Governing Law. The Agreement shall be construed in accordance with the laws of the State of Texas, without regard to its conflict of law provisions, to the extent that applicable federal law does not supersede and preempt Texas law.

(j) Successors and Assigns. This Agreement shall bind, be enforceable by, and inure to the benefit of, the Company and Grantee and any permitted successors and assigns of the parties hereto.

(k) Clawback. Notwithstanding any provisions in this Agreement to the contrary, any portion of the payments and benefits provided under this Agreement, or the

transfer or sale of Shares, shall be subject to a clawback or other recovery by the Company to the extent necessary to comply with applicable law including, without limitation, the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 or any Securities and Exchange Commission rule, as determined by the Company.

16. Survival of Certain Provisions. Wherever appropriate to the intention of the parties hereto, the respective rights and obligations of the parties hereunder shall survive any termination or expiration of this Agreement.

17. Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be deemed an original, with the same force and effect as if such signatures were upon the same instrument. The parties agree that the delivery of this Agreement may be effected by means of an exchange of facsimile signatures which shall be deemed original signatures thereof.

[Signature page follows.]

IN WITNESS WHEREOF, this Agreement is made and entered into as of the date first written above.

VAALCO Energy, Inc.

By: /s/ Cary Bounds

Name: Cary Bounds

Title: CEO

Address for Notices:

VAALCO Energy, Inc.
9800 Richmond Ave., Suite 700
Houston, TX 77042
Attn: General Counsel

Grantee:

/s/ Philip Patman, Jr.
Signature

Philip Patman, Jr.
Printed Name

Address for Notices:

5129 Mimosa Drive

Bellaire, TX 77401

Appendix A: Definitions

For purposes of the Award, the following terms shall be defined as set forth below:

(a) " **Affiliate**" means any Subsidiary and any other entity that, directly or through one or more intermediaries, is controlled by the Company, as determined by the Committee.

(b) " **Board**" means the then-current Board of Directors of the Company.

(c) " **Cause**" means, when used in connection with the termination of the Grantee's Employment, the termination of the Grantee's Employment by the Company or any Affiliate by reason of (i) the conviction of the Grantee by a court of competent jurisdiction as to which no further appeal can be taken of a crime involving moral turpitude or a felony; (ii) the commission by the Grantee of a material act of fraud upon the Company or any Affiliate, or any customer or supplier thereof; (iii) the material misappropriation of any funds or property of the Company or any Affiliate, or any customer or supplier thereof; (iv) the willful and continued failure by the Grantee to perform the material duties assigned to him that is not cured to the reasonable satisfaction of the Committee within 30 days after written notice of such failure is provided to Grantee by the Committee (or by an officer of the Company or an Affiliate who has been designated by the Committee for such purpose); (v) the engagement by the Grantee in any direct and material conflict of interest with the Company or any Affiliate without compliance with the Company's or Affiliate's conflict of interest policy, if any, as then in effect; or (vi) the knowing engagement by the Grantee, without the written approval of the Committee, in any material activity which competes with the business of the Company or any Affiliate or which would result in a material injury to the business, reputation or goodwill of the Company or any Affiliate.

(d) " **Change in Control**" of the Company means the occurrence of any one or more of the following events:

(i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act (a " **Person**")) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of fifty percent (50%) or more of either (i) the then outstanding Shares of common stock of the Company (the " **Outstanding Company Stock**") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the " **Outstanding Company Voting Securities**"); provided, however, that the following acquisitions shall not constitute a Change in Control: (i) any acquisition directly from the Company or any Subsidiary, (ii) any acquisition by the Company or any Subsidiary or by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary, or (iii) any acquisition by any corporation pursuant to a reorganization, merger, consolidation or

similar business combination involving the Company (a " **Merger**"), if, following such Merger, the conditions described in clause (iii) (below) are satisfied;

(ii) Individuals who, as of the Effective Date, constitute the Board of Directors of the Company (the " **Incumbent Board**") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Grant Date whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(iii) The consummation of a Merger involving the Company, unless immediately following such Merger, (A) substantially all of the holders of the Outstanding Company Voting Securities immediately prior to Merger beneficially own, directly or indirectly, more than fifty percent (50%) of the common stock of the corporation resulting from such Merger (or its parent corporation) in substantially the same proportions as their ownership of Outstanding Company Voting Securities immediately prior to such Merger and (B) at least a majority of the members of the board of directors of the corporation resulting from such Merger (or its parent corporation) were members of the Incumbent Board at the time of the execution of the initial agreement providing for such Merger;

(iv) The sale consummation, or other disposition of all or substantially all of the assets of the Company, unless immediately following such sale or other disposition, (A) substantially all of the holders of the Outstanding Company Voting Securities immediately prior to the consummation of such sale or other disposition beneficially own, directly or indirectly, more than fifty percent (50%) of the common stock of the corporation acquiring such assets in substantially the same proportions as their ownership of Outstanding Company Voting Securities immediately prior to the consummation of such sale or disposition, and (B) at least a majority of the members of the board of directors of such corporation (or its parent corporation) were members of the Incumbent Board at the time of execution of the initial agreement or action of the Board providing for such sale or other disposition of assets of the Company; or

(v) The approval by the stockholders of the Company or the Board of a plan for the complete liquidation or dissolution of the Company.

In the event that any acceleration of vesting pursuant to this Award in connection with a Change in Control would subject a Grantee to any excise tax pursuant to Code Section 4999 (which excise tax would be the Grantee's obligation) due to the characterization of such acceleration of vesting, payment or benefit as an "excess parachute payment" under Code Section 280G, the Grantee may elect, in his sole discretion, to reduce the amount of any acceleration of vesting, payment or benefit called for under this Award in order to avoid such characterization.

(e) " **Code**" means the Internal Revenue Code of 1986, as amended.

(i) " **Common Stock**" means the common stock of the Company, $0.10 par value per Share, and any class of common stock into which such Shares may hereafter be converted, reclassified or recapitalized.

(g) " **Disability**" means, as determined by the Committee in its discretion exercised in good faith, a physical or mental condition of the Grantee that would entitle him to payment of disability income payments under the Company's long term disability insurance policy or plan for employees, as then effective, if any; or in the event that the Grantee is not covered, for whatever reason, under the Company's long-term disability insurance policy or plan, " Disability" means a permanent and total disability as defined in Code Section 22(e)(3). A determination of Disability may be made by a physician selected or approved by the Company and, in this respect, the Grantee shall submit to any reasonable examination(s) required in the opinion of such physician.

(h) " **Employment**" means that the Grantee is employed as an employee by the Company or any Subsidiary on its payroll records, or by any corporation assuming the Award in any transaction described in this Agreement, or by a parent corporation or a subsidiary corporation of such corporation assuming such Award, as the parent- subsidiary relationship shall be determined at the time of such corporate action as described in this Agreement. In this regard, neither the transfer of a Grantee from Employment by the Company to Employment by any Subsidiary, nor the transfer of a Grantee from Employment by any Subsidiary to Employment by the Company, shall be deemed to be a termination of Employment of the Grantee. Moreover, the Employment of a Grantee shall not be deemed to have been terminated because of an approved leave of absence from active Employment on account of illness, authorized vacation or for reasons of professional advancement, education, or health, or during any period required to be treated as a leave of absence by virtue of any applicable statute, Company personnel policy or other written agreement.

(i) " **Exchange Act**" means the Securities Exchange Act of 1934, as amended.

(j) " **Fair Market Value**" means, as of any specified date, (i) if the Common Stock is listed on a national securities exchange, the closing sales price of the Common Stock, as reported by the stock exchange on that date (or if no sales occur on that date, on the last preceding date on which such sales of the Common Stock are so reported); (ii) if the Common Stock is not traded on a national

securities exchange but is traded over-the-counter at the time a determination of its fair market value is made, the average between the reported high and low bid and asked prices of the Common Stock on the most recent date on which the Common Stock was publicly traded; or (iii) in the event the Common Stock is not publicly traded at the time a determination of its value is required to be made under the Award, the amount determined by the Committee in its discretion in such manner as it deems appropriate, taking into account all factors the Committee deems appropriate.

(k) " **Securities Act**" means the Securities Act of 1933, as amended.

(l) **" Share**" means a Share of the Common Stock.

(m) " **Subsidiary**" means any entity (whether a corporation, partnership, joint venture or other form of entity) in which the Company (or a corporation in which the Company owns a majority of the shares of capital stock), directly or indirectly, owns greater than a 50% equity interest therein.

[End]

Exhibit 10.3

VAALCO ENERGY, INC.
STANDALONE NONSTATUTORY STOCK OPTION AWARD AGREEMENT

THIS STOCK OPTION AGREEMENT (the **"Agreement"**) is made and entered into by and between VAALCO Energy, Inc., a Delaware corporation (the **"Company"**) and **Philip F. Patman, Jr.** an individual (**"Optionee"**), on the 17th day of April, 2017 (the "**Grant Date**").

WHEREAS, the Company desires to grant the Option (as defined below) to acquire shares of the Company's common stock (the "**Common Stock**") to Optionee (the "**Award**"), subject to the terms and conditions of this Agreement, as an inducement for Optionee to accept employment as the Chief Financial Officer of the Company; and

WHEREAS, the Compensation Committee of the Board of Directors of the Company, (the "**Committee**") comprised solely of independent directors within the meaning of the rules of the New York Stock Exchange ("**NYSE**") who are also non-employee directors within the meaning of Rule 16b-3b(3)(i) under the Exchange Act, has approved the issuance of the Award as an "inducement award" within the meaning of NYSE Rule 303A.08; and

WHEREAS, Optionee desires to receive the Option subject to the terms and conditions of this Agreement;

WHEREAS, the Award is to be granted pursuant to this Agreement which is a standalone award agreement and not pursuant to any of the Company's equity compensation plans; and

WHEREAS, the Company and Optionee understand and agree that the Award is in all respects subject to the terms and provisions set forth herein;

NOW, THEREFORE, in consideration of the premises, mutual covenants and agreements contained herein, and such other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1.Grant of Stock Option

. As of the Grant Date, the Company hereby grants a nonstatutory stock option (the "**Option**") to the Optionee, an officer of the Company, to purchase the number of shares of Common Stock as identified in Appendix A (the "**Shares**"), subject to the terms and conditions of this Agreement. The Shares, when issued to Optionee upon exercise of the Option, shall be fully paid and nonassessable. The Option is not an "incentive stock option" as defined in Section 422 of the Code.

2.Definitions

. All capitalized terms used in this Agreement shall have the meanings set forth herein. Appendices A and B set forth definitions for certain of the capitalized terms used in this Agreement.

3.Option Term

. The Option shall become effective on the Grant Date and terminate on the fifth (5th) anniversary of the Grant Date. The period during which the Option is in effect is referred to herein as the **"Option Period"**.

4.Option Price

. The Option Price per Share is identified in Appendix A.

5.Vesting

. The total number of Shares subject to this Option shall vest in accordance with the vesting schedule set forth in Appendix A (the "**Vesting Schedule**"). The Shares may be purchased at any time after they become vested, in whole or in part, during the Option Period; provided, however, the Option may only be exercisable to acquire whole Shares. The right of exercise provided herein shall be cumulative so that if the Option is not exercised to the maximum extent permissible after vesting, the vested portion of the Option shall be exercisable, in whole or in part, at any time during the Option Period.

6. Method of Exercise.

(a) Stock Option Exercise Agreement. To exercise the Option, Optionee (or in the case of exercise after Optionee's death or incapacity, Optionee's executor, administrator, heir or legatee, as the case may be) must deliver to the Company an executed stock option exercise agreement in the form provided by the Company (the "**Exercise Agreement**"), which shall set forth, *inter alia*, (a) Optionee's election to exercise the Option, (b) the number of Shares being purchased, (c) any restrictions imposed on the Shares, and (d) any representations, warranties or agreements regarding Optionee's investment intent and access to information as may be required by the Company to comply with applicable securities laws. If someone other than Optionee exercises the Option, then such person must submit documentation reasonably acceptable to the Company verifying that such person has the legal right to exercise the Option. The Optionee may withdraw notice of exercise of the Option, in writing, at any time prior to the close of business on the business day that immediately precedes the proposed exercise date. The Exercise Agreement must be received as of a date set by the Company in advance of the effective date of the proposed exercise. The Exercise Agreement must be accompanied by full payment for the Shares.

(b) Limitations on Exercise. The Option may not be exercised unless such exercise is in compliance with all applicable federal, state and foreign securities laws, as in effect on the date of exercise. The Option may not be exercised for fewer than one Share or for any fractional Share.

7.Method of Payment

. Subject to applicable provisions of this Agreement, the Option Price (identified in Appendix A) upon exercise of the Option shall be payable to the Company in full either: (a) in cash or its equivalent; (b) subject to prior approval by the Committee in its discretion, by tendering previously acquired, unrestricted Shares having an aggregate Fair Market Value at the time of exercise equal to the total Option Price; (c) subject to prior approval by the Committee in its discretion, by withholding Shares which otherwise would be acquired on exercise having an aggregate Fair Market Value at the time of exercise equal to the total Option Price; or (d) any other permitted method pursuant to the applicable terms and conditions of this

Agreement and applicable law. A cashless exercise can be executed by the Company's then current broker without Committee involvement.

Any payment in Shares shall be effected by the surrender of such Shares to the Company in good form for transfer and shall be valued at their Fair Market Value on the date when the Option is exercised. Unless otherwise permitted by the Committee in its discretion, the Optionee shall not surrender, or attest to the ownership of, Shares in payment of the Option Price if such action would cause the Company to recognize compensation expense (or additional compensation expense) with respect to the Option for financial accounting reporting purposes.

The Committee, in its discretion, also may allow the Option Price to be paid with such other consideration as shall constitute lawful consideration for the issuance of Shares (including, without limitation, effecting a "cashless exercise" by establishing procedures satisfactory to the Committee with respect thereto), subject to applicable securities law restrictions and tax withholdings, or by any other means which the Committee determines to be consistent with the Agreement's purpose and applicable law. At the direction of the Optionee, a broker may either (i) sell all of the Shares received when the Option is exercised and pay the Optionee the proceeds of the sale (minus the Option Price, withholding taxes and any fees due to the broker); or (ii) sell enough of the Shares received upon exercise of the Option to cover the Option Price, withholding taxes and any fees due the broker, and deliver to the Optionee (either directly or through the Company) a stock certificate for the remaining Shares. Dispositions to a broker effecting a "cashless exercise" are not exempt under Section 16 of the Exchange Act. Moreover, in no event will the Committee allow the Option Price to be paid with a form of consideration, including a loan or a "cashless exercise," if such form of consideration would violate the Sarbanes-Oxley Act of 2002, as determined by the Committee.

Subject to the other provisions of this Agreement, during the lifetime of the Optionee, each Option granted to the Optionee shall be exercisable only by the Optionee (or his legal guardian in the event of his Disability) or by a broker-dealer acting on his behalf pursuant to a cashless exercise under the foregoing provisions of this Section.

As soon as practicable after receipt of a written notification of exercise and full payment, the Company shall deliver to or on behalf of the Optionee, in the name of the Optionee or other appropriate recipient, Share certificates or other evidence of ownership for the number of Shares purchased under the Option.

Payment of the Option Price by the Optionee who is an "insider" subject to Section 16(b) of the Exchange Act in the form of a stock for stock exercise is subject to pre-approval by the Committee, in its discretion, in a manner that complies with the specificity requirements of SEC Rule 16b-3.

Notwithstanding the foregoing, if there is a stated par value of the Shares and applicable law so requires, then the par value of the Shares, if newly issued, shall be paid in cash or cash equivalents.

8.Restrictions on Exercise

. The Option may not be exercised if the issuance of such Shares or the method of payment of the consideration for such Shares would constitute a

violation of any applicable federal or state securities or other laws or regulations, or any rules or regulations of any stock exchange on which the Common Stock may be listed, as determined by legal counsel for the Company. In addition, Optionee understands and agrees that the Option cannot be exercised if the Company determines that such exercise, at the time of such exercise, would be in violation of the Company's insider trading policy.

9.Restrictions on Share Transferability

(a) . The Committee may impose such restrictions on any grant of Options or on any Shares acquired pursuant to the exercise of an Option as it may deem advisable, including, without limitation, restrictions under (a) any applicable federal securities laws; (b) the requirements of any stock exchange or market upon which the Common Stock is then listed and/or traded; or (c) any blue sky or state securities law applicable to such Shares. Any certificate issued to evidence Shares issued upon the exercise of an Award may bear such legends and statements as the Committee may deem advisable for compliance with applicable federal or state laws and regulations.

The Optionee shall be required, if requested by the Committee, to give a written representation that the Award and the Shares subject to the Award will be acquired for investment and not with a view to public distribution; provided, however, that the Committee, in its discretion, may release any person from any such representation either prior to or subsequent to exercise of an Option.

10.Termination of Employment

. Voluntary or involuntary termination of Employment shall affect Optionee's rights under this Agreement as follows:

(a) Termination for Cause. The entire Option, including any vested portion thereof, shall automatically expire and terminate on the date of termination of Employment and shall not be exercisable to any extent if Optionee's Employment is terminated for Cause, effective as of 12:01 a.m. (CST) on the date of such termination of Employment.

(b) Retirement. In the event of Optionee's Retirement at or after attaining (i) age 65 and (ii) at least ten (10) years of Employment service, all of the Options shall become 100% vested as of the date of termination of Employment. Upon the termination of Employment due to the Optionee's Retirement at or after attaining age 65 but without ten (10) years of Employment service, subject to the Vesting Schedule, any non-vested portion of the Option shall automatically expire and terminate on the Employment Termination Date and no further vesting shall occur thereafter. Any vested Option shall expire and terminate on the expiration of six (6) months after the date of termination of Employment due to Retirement; provided, however, in no event may the Option be exercised by anyone after expiration of the Option Period.

(c) Death or Disability. If Optionee's Employment is terminated due to death or Disability, then (i) subject to the Vesting Schedule, any non-vested portion of the Option shall automatically expire and terminate on the termination of Employment date and (ii) any vested portion of the Option shall expire and terminate at the end of the one-year anniversary date of the termination of Employment date (to the extent not previously exercised by Optionee, or, in the case of death, by the person or persons to whom

Optionee's rights under the Option have passed by will or by the laws of descent and distribution or, in the case of Disability, by Optionee or Optionee's legal representative); provided, however, in no event may the Option be exercised by anyone after expiration of the Option Period.

(d) Other Involuntary Termination or Voluntary Termination. If Optionee's Employment is voluntarily or involuntarily terminated for whatever reason, except due to Cause, Retirement, death or Disability as set out above, then (i) subject to the Vesting Schedule, any non-vested portion of the Option shall automatically expire and terminate on the termination of Employment date and (ii) any vested portion of the Option shall expire and terminate to the extent not exercised within one hundred twenty (120) days after at the end of such termination date; provided, however, in no event may the Option be exercised by anyone after expiration of the Option Period.

11.Independent Legal and Tax Advice

. Optionee acknowledges that the Company has advised Optionee to obtain independent legal and tax advice regarding the grant and exercise of the Option and the disposition of any Shares acquired thereby.

12.Reorganization of Company

. The existence of the Option shall not affect in any way the right or power of the Company or its shareholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or prior preference stock ahead of or affecting the Shares or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

13.Adjustment of Shares

. In the event of stock dividends, spin-offs of assets or other extraordinary dividends, stock splits, combinations of shares, recapitalizations, mergers, consolidations, reorganizations, liquidations, issuances of rights or warrants and similar transactions or events involving Company, appropriate adjustments may be made to the terms and provisions of the Option as provided in Section 19, below.

14.No Rights in Shares

. Optionee shall have no rights as a shareholder in respect of the Shares until the Optionee becomes the record holder of such Shares on the Company's records.

15.Investment Representation

. Optionee will enter into such written representations, warranties and agreements as Company may reasonably request in order to comply with any federal or state securities law. Moreover, any stock certificate for any Shares issued to Optionee hereunder may contain a legend restricting their transferability as determined by the Company in its discretion. Optionee agrees that Company shall not be obligated to take any affirmative action in order to cause the issuance or transfer of Shares hereunder to comply with any law, rule or regulation that applies to the Shares subject to the Option.

16.Optionee Confidentiality Obligations

. In accepting the Option, Optionee acknowledges that Optionee is obligated under Company's policy and applicable law to protect and safeguard the confidentiality of trade secrets and other proprietary and confidential

information belonging to the Company and its affiliates, and that such obligations continue beyond termination of Employment.

17.Tax Withholding

. The Company shall have the right to (a) make deductions from the number of Shares otherwise deliverable upon exercise of the Option in an amount sufficient to satisfy withholding of any federal, state or local taxes required by law, or (b) take such other action as it deems to be necessary or appropriate to satisfy any such tax withholding obligations.

18. Administration

(a) The Award and this Agreement relating thereto shall be administered by the Committee except to the extent the Board elects to administer the Award, in which case references herein to the "Committee" shall be deemed to include references to the "Board." The Committee shall have the authority, subject to the provisions herein, in its sole and absolute discretion, to: (i) interpret and administer the Award and the Agreement; (ii) establish, amend, suspend, or waive rules and regulations used to administer the Award, (iii) accelerate the date on which the restrictions on the Award lapse; and (iv) make any other determination and take any other action that the Committee deems to be necessary or desirable for the administration of the Award, including to correct any defect, supply any omission or reconcile any conflict between the Agreement and the Optionee's other terms and conditions of employment.

(b) The Committee may delegate any or all of its powers and duties under the Award subject to such terms as the Committee shall determine, to perform such functions, including administrative functions, as the Committee may determine, to the extent that such delegation does not (i) violate applicable law or (ii) result in the loss of an exemption under Rule 16b-3(d)(1). The Committee may also appoint agents to assist it in administering the Award that are employees (whether or not such employee is an officer).

19. Change in Stock and Adjustments

(a) Changes in Law or Circumstances. Subject to the Change in Control provisions of this Agreement, in the event of any change in applicable law or any change in circumstances which results in or would result in dilution of any rights granted under this Agreement, or which otherwise warrants an equitable adjustment because it interferes with the intended operation of this Agreement, then, if the Committee should so determine, in its discretion, that such change equitably requires an adjustment in the number or kind of stock or other securities or property theretofore subject, or which may become subject, to issuance or transfer under this Agreement, such adjustment shall be made in accordance with such determination. Such adjustments may include changes with respect to the aggregate number of Shares in respect of the Option that may be issued under this Agreement. The Committee shall give notice to the Optionee of such adjustment which shall be effective and binding.

(b) Exercise of Corporate Powers. The existence of this Agreement shall not affect in any way the right or power of the Company or its shareholders or Affiliates to

make or authorize any or all adjustments, recapitalization, reorganization or other changes in the Company's capital structure or its business or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or prior preference stocks ahead of or affecting the Common Stock or the rights thereof, or the dissolution or liquidation of the Company or any Affiliate, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding whether of a similar character or otherwise.

(c) Recapitalization of the Company. Subject to the Change in Control provisions of this Agreement, if while the Award is outstanding, the Company shall effect any subdivision or consolidation of Common Stock or other capital readjustment, the payment of a stock dividend, stock split, combination of Shares, recapitalization or other increase or reduction in the number of Shares outstanding, without receiving compensation therefor in money, services or property, then the number of Shares which may thereafter be exercised pursuant to the Option shall (i) in the event of an increase in the number of Shares outstanding, be proportionately increased and the Option Price of the outstanding Options shall be proportionately reduced; and (ii) in the event of a reduction in the number of Shares outstanding, be proportionately reduced, and the Option Price of the outstanding Options shall be proportionately increased. The Company shall take such action and whatever other action it deems appropriate, in its discretion, so that the value of the Award to the Optionee shall not be adversely affected by a corporate event described in this Section 19(c).

(d) Issue of Common Stock by the Company. Except as hereinabove expressly provided in this Section and subject to the Change in Control provisions of this Agreement, the issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, for cash or property, or for labor or services, either upon direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon any conversion of Shares or obligations of the Company convertible into such Shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number of, or Option Price or Fair Market Value of the Award.

20.Change in Control and Other Events
. Notwithstanding any other provisions herein to the contrary, but subject to the accelerated vesting and other provisions that apply in the event of a Change in Control, in the event of a Corporate Event, the Committee shall have the right and power to effectuate one or more of the following alternatives, in its discretion, with respect to the Award:

(a) cancel, effective immediately prior to the occurrence of the Corporate Event, the Award (whether or not then exercisable) and, in full consideration of such cancellation, pay to the Optionee an amount in cash equal to the excess of (i) the value, as determined by the Committee, of the property (including cash) received by the holders of Common Stock as a result of such Corporate Event over (ii) the exercise price of the Award; provided, however, this subsection (a) shall be inapplicable to an Award granted within six (6) months before the occurrence of the Corporate Event if the Optionee is an Insider and such disposition is not exempt under Rule 16b-3 (or other rules preventing liability of the Insider under Section 16(b) of the Exchange Act) and, in that event, the

provisions hereof shall be applicable to the Award after the expiration of six (6) months from the Grant Date; or

(b) provide for the exchange or substitution of the Award outstanding immediately prior to such Corporate Event (whether or not then exercisable) for another award with respect to the Common Stock or other property for which the Award is exchangeable and, incident thereto, make an equitable adjustment as determined by the Committee, in its discretion, in the Option Price, if any, or in the number of Shares or amount of property (including cash) subject to the Award; or

(c) provide that thereafter upon the exercise of an Option, the Optionee shall be entitled to purchase or receive under the Award, in lieu of the number of Shares then covered by the Award, the number and class of shares of stock or other securities or property (including, without limitation, cash) to which the Optionee would have been entitled pursuant to the terms of the agreement for the Corporate Event if, immediately prior to such Corporate Event, the Optionee had been the holder of record of the number of Shares then covered by the Award; provided, however, if such consideration is not solely common stock of the successor corporation, the Committee may, with the consent of the successor corporation, provide for the consideration to be received to be solely common stock of the successor corporation that is equal to the Fair Market Value of the per Share consideration received by the holders of Shares as the result of the Corporate Event; or

(d) effect one or more of the following alternatives in an equitable and appropriate manner to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Agreement: (i) accelerate the time at which the Option then outstanding may be exercised so that the Award may be exercised in full for a limited period of time on or before a specified date (before or after the Corporate Event) fixed by the Committee, after which specified date such unexercised Option and all rights of the Optionee thereunder shall terminate, or (ii) require the mandatory surrender by the Optionee of the outstanding Option (irrespective of whether such Option is then exercisable) as of a date, before or after such Corporate Event, that is specified by the Committee, in which event the Committee shall thereupon cancel the Award and the Company shall pay (or cause to be paid) to the Optionee an amount of cash per share equal to the excess, if any, of the amount calculated by the Committee, in its discretion as exercised in good faith, as the then Fair Market Value of the Shares subject to such Award over the Option Price under the Award for such Shares; or

(e) provide for assumption of the Award by the surviving entity or its parent.

The Committee, in its discretion, shall have the authority to take whatever action it deems to be necessary or appropriate to effectuate the provisions of this Section 20.

21. General.

(a) Certain Transfers Void. Any purported transfer of the Option or the Shares received upon exercise of the Option in breach of any provision of this Agreement

shall be void and ineffective, and shall not operate to transfer any interest or title in the purported transferee.

(b) No Fractional Shares. All provisions of this Agreement concern whole Shares. If the application of any provision hereunder would yield a fractional Share, such fractional Share shall be rounded down to the next whole Share if it is less than 0.5 and rounded up to the next whole Share if it is 0.5 or more.

(c) Not an Employment Agreement. This Agreement is not an employment agreement, and no provision of this Agreement shall be construed or interpreted to create any employment relationship between Optionee and the Company for any guaranteed time period. The Employment of Optionee shall be subject to termination to the same extent as if this Agreement had not been executed.

(d) Notices. Any notice, instruction, authorization, request or demand required hereunder shall be in writing, and shall be delivered either by personal in-hand delivery, by telecopy or similar facsimile means, by certified or registered mail, return receipt requested, or by courier or delivery service, addressed to the Company at its then current main corporate address, and to Optionee at his address indicated on the Company's records, or at such other address and number as a party has last previously designated by written notice given to the other party in the manner hereinabove set forth. Notices shall be deemed given when received, if sent by facsimile means (confirmation of such receipt by confirmed facsimile transmission being deemed receipt of communications sent by facsimile means); and when delivered and receipted for (or upon the date of attempted delivery where delivery is refused), if hand-delivered, sent by courier or delivery service, or sent by certified or registered mail, return receipt requested.

(e) Transferability of Option. The Option is transferable only to the extent permitted under this Agreement at the time of transfer (i) by will or by the laws of descent and distribution, (ii) by a qualified domestic relations order (as defined in Section 414(p) of the Internal Revenue Code), or (iii) to Optionee's immediate family or entities established for the benefit of, or solely owned by, the Optionee's immediate family, but only if, and to the extent, permitted under this Agreement. No right or benefit hereunder shall in any manner be liable for or subject to any debts, contracts, liabilities, obligations or torts of Optionee or any permitted transferee thereof.

(f) Amendment and Termination and Waiver. This Agreement may be amended, modified, terminated or superseded only by written instrument executed by or on behalf of the Company and Optionee. Any waiver of the terms or conditions hereof shall be made only by a written instrument executed and delivered by the party waiving compliance. Any waiver granted by the Company shall be effective only if approved by the Committee and executed and delivered by a duly authorized executive officer of the Company other than Optionee. The failure of any party at any time or times to require performance of any provisions hereof shall in no manner affect the right to enforce the same. No waiver by any party of any term or condition herein, or the breach thereof, in one or more instances shall be deemed to be, or construed as, a further or continuing

waiver of any such condition or breach or a waiver of any other condition or the breach of any other term or condition.

(g) No Guarantee of Tax Consequences. The Company makes no commitment or guarantee that any tax treatment will apply or be available to Optionee or any other person. The Optionee has been advised, and provided with the opportunity, to obtain independent legal and tax advice regarding the grant, vesting, and exercise of the Option and the disposition of any Shares acquired thereby.

(h) Severability. Any provision of this Agreement which is ruled to be invalid or unenforceable in any applicable jurisdiction shall be ineffective to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining provisions hereof, and any such invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

(i) Supersedes Prior Agreements. This Agreement shall supersede and replace all prior agreements, promises, and understandings, oral or written, between the Company and the Optionee regarding the grant of the Option covered hereby.

(j) Governing Law. The Agreement shall be construed in accordance with the laws of the State of Texas, without regard to its conflict of law provisions, to the extent that applicable federal law does not supersede and preempt Texas law.

(k) Successors and Assigns. This Agreement shall bind, be enforceable by, and inure to the benefit of, the Company and Optionee and any permitted successors and assigns of the parties hereto.

(l) Clawback. Notwithstanding any provisions in this Agreement to the contrary, any portion of the payments and benefits provided under this Agreement, or the transfer or sale of Shares, shall be subject to a clawback or other recovery by the Company to the extent necessary to comply with applicable law including, without limitation, the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 or any Securities and Exchange Commission rule, as determined by the Company.

22. **Survival of Certain Provisions**. Wherever appropriate to the intention of the parties hereto, the respective rights and obligations of the parties hereunder shall survive any termination or expiration of this Agreement.

23. **Signature in Counterparts**. This Agreement may be signed in counterparts, each of which shall be deemed an original, with the same force and effect as if such signatures were upon the same instrument. The parties agree that the delivery of this Agreement may be effected by means of an exchange of facsimile signatures which shall be deemed original signatures thereof.

[*Signature page follows*.]

IN WITNESS WHEREOF, the Company, as of the Grant Date, has caused this Agreement to be executed on its behalf by its duly authorized officer and Optionee has hereunto executed this Agreement as of the same date.

VAALCO Energy, Inc.

By: /s/ Cary Bounds

Name: Cary Bounds

Title: CEO

Address for Notices:

VAALCO Energy, Inc.
9800 Richmond Ave., Suite 700
Houston, TX 77042
Attn: General Counsel

Optionee:

/s/ Philip Patman, Jr.
Signature

Philip Patman, Jr.
Printed Name

Address for Notices:

5129 Mimosa Drive
Bellaire, TX 77401

Appendix A: Other Terms of the Award

The following capitalized terms shall have those meanings set forth opposite them:

(a) Optionee: Philip F. Patman, Jr.

(b) Grant Date: April 17, 2017

(c) Shares: 186,706 Shares of the Company's Common Stock.

(d) Option Price: $0.96 per Share.

(e) Option Period: Grant Date through the fifth annual anniversary of the Grant Date (until 5:00 p.m. CST).

(f) Vesting Schedule: Provided that the Optionee remains in Employment, the restrictions on the Options shall lapse and such Options shall become (i) vested with respect to the specified percentage of the Options the dates set forth in clauses (1) though (3) below, and (ii) will become 100% vested and non-forfeitable on the occurrence (if any) of the earliest of the dates set forth in clauses (4) and (5) below:

(1) 34% of the Options on the date of the first anniversary of the Grant Date if Optionee is then still in Employment;

(2) 33% of the Options on the date of the second anniversary of the Grant Date if Optionee is then still in Employment;

(3) the remaining balance of the Options on the date of the third anniversary of the Grant Date if Optionee is then still in Employment;

(4) the date of the Optionee's termination of Employment due to death or Disability; and

(5) the effective date of a Change in Control if Optionee is then still in Employment.

Appendix B: Additional Definitions

For purposes of the Award, the following terms shall be defined as set forth below:

(a) "**Affiliate**" means any Subsidiary and any other entity that, directly or through one or more intermediaries, is controlled by the Company, as determined by the Committee.

(b) "**Board**" means the then-current Board of Directors of the Company.

(c) "**Cause**" means, when used in connection with the termination of the Optionee's Employment, the termination of the Optionee's Employment by the Company or any Affiliate by reason of (i) the conviction of the Optionee by a court of competent jurisdiction as to which no further appeal can be taken of a crime involving moral turpitude or a felony; (ii) the commission by the Optionee of a material act of fraud upon the Company or any Affiliate, or any customer or supplier thereof; (iii) the material misappropriation of any funds or property of the Company or any Affiliate, or any customer or supplier thereof; (iv) the willful and continued failure by the Optionee to perform the material duties assigned to him that is not cured to the reasonable satisfaction of the Committee within 30 days after written notice of such failure is provided to Optionee by the Committee (or by an officer of the Company or an Affiliate who has been designated by the Committee for such purpose); (v) the engagement by the Optionee in any direct and material conflict of interest with the Company or any Affiliate without compliance with the Company's or Affiliate's conflict of interest policy, if any, as then in effect; or (vi) the knowing engagement by the Optionee, without the written approval of the Committee, in any material activity which competes with the business of the Company or any Affiliate or which would result in a material injury to the business, reputation or goodwill of the Company or any Affiliate.

(d) "**Change in Control**" of the Company means the occurrence of any one or more of the following events:

(i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act (a "**Person**")) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of fifty percent (50%) or more of either (i) the then outstanding Shares of common stock of the Company (the "**Outstanding Company Stock**") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "**Outstanding Company Voting Securities**"); provided, however, that the following acquisitions shall not constitute a Change in Control: (i) any acquisition directly from the Company or any Subsidiary, (ii) any acquisition by the Company or any Subsidiary or by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary, or (iii) any acquisition by any corporation pursuant to a reorganization, merger, consolidation or

similar business combination involving the Company (a "**Merger**"), if, following such Merger, the conditions described in clause (iii) (below) are satisfied;

(ii) Individuals who, as of the Effective Date, constitute the Board of Directors of the Company (the "**Incumbent Board**") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Grant Date whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(iii) The consummation of a Merger involving the Company, unless immediately following such Merger, (A) substantially all of the holders of the Outstanding Company Voting Securities immediately prior to Merger beneficially own, directly or indirectly, more than fifty percent (50%) of the common stock of the corporation resulting from such Merger (or its parent corporation) in substantially the same proportions as their ownership of Outstanding Company Voting Securities immediately prior to such Merger and (B) at least a majority of the members of the board of directors of the corporation resulting from such Merger (or its parent corporation) were members of the Incumbent Board at the time of the execution of the initial agreement providing for such Merger;

(iv) The sale consummation, or other disposition of all or substantially all of the assets of the Company, unless immediately following such sale or other disposition, (A) substantially all of the holders of the Outstanding Company Voting Securities immediately prior to the consummation of such sale or other disposition beneficially own, directly or indirectly, more than fifty percent (50%) of the common stock of the corporation acquiring such assets in substantially the same proportions as their ownership of Outstanding Company Voting Securities immediately prior to the consummation of such sale or disposition, and (B) at least a majority of the members of the board of directors of such corporation (or its parent corporation) were members of the Incumbent Board at the time of execution of the initial agreement or action of the Board providing for such sale or other disposition of assets of the Company; or

(v) The approval by the stockholders of the Company or the Board of a plan for the complete liquidation or dissolution of the Company.

In the event that any acceleration of vesting pursuant to this Award in connection with a Change in Control would subject the Optionee to any excise tax pursuant to Code Section 4999 (which excise tax would be the Optionee's obligation) due to the characterization of such acceleration of vesting, payment or benefit as an "excess parachute payment" under Code Section 280G, the Optionee may elect, in his sole discretion, to reduce the amount of any acceleration of vesting, payment or benefit called for under this Award in order to avoid such characterization.

(e) "**Code**" means the Internal Revenue Code of 1986, as amended.

(f) "**Common Stock**" means the common stock of the Company, $0.10 par value per Share, and any class of common stock into which such common Shares may hereafter be converted, reclassified or recapitalized.

(g) "**Corporate Event**" means any of the following: (i) a dissolution or liquidation of the Company, (ii) a sale of all or substantially all of the Company's assets, or (iii) a merger, consolidation or combination involving the Company (other than a merger, consolidation or combination (A) in which the Company is the continuing or surviving corporation and (B) which does not result in the outstanding Shares being converted into or exchanged for different securities, cash or other property, or any combination thereof).

(h) "**Disability**" means, as determined by the Committee in its discretion exercised in good faith, a physical or mental condition of the Optionee that would entitle him to payment of disability income payments under the Company's long term disability insurance policy or plan for employees, as then effective, if any; or in the event that the Optionee is not covered, for whatever reason, under the Company's long-term disability insurance policy or plan, "Disability" means a permanent and total disability as defined in Code Section 22(e)(3). A determination of Disability may be made by a physician selected or approved by the Company and, in this respect, the Optionee shall submit to any reasonable examination(s) required in the opinion of such physician.

(i) "**Employment**" means that the Optionee is employed as an employee by the Company or any Subsidiary on its payroll records, or by any corporation assuming the Award in any transaction described in this Agreement, or by a parent corporation or a subsidiary corporation of such corporation assuming such Award, as the parent-subsidiary relationship shall be determined at the time of such corporate action described in this Agreement. In this regard, neither the transfer of the Optionee from Employment by the Company to Employment by any Subsidiary, nor the transfer of the Optionee from Employment by any Subsidiary to Employment by the Company, shall be deemed to be a termination of Employment of the Optionee. Moreover, the Employment of the Optionee shall not be deemed to have been terminated because of an approved leave of absence from active Employment on account of illness, authorized vacation or for reasons of professional advancement, education, or health, or during any period required

to be treated as a leave of absence by virtue of any applicable statute, Company personnel policy or other written agreement.

(j) "**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

(k) "**Fair Market Value**" means as of any specified date, (i) if the Common Stock is listed on a national securities exchange, the closing sales price of the Common Stock, as reported by the stock exchange on that date (or if no sales occur on that date, on the last preceding date on which such sales of the Common Stock are so reported); (ii) if the Common Stock is not traded on a national securities exchange but is traded over-the-counter at the time a determination of its fair market value is made, the average between the reported high and low bid and asked prices of the Common Stock on the most recent date on which the Common Stock was publicly traded; or (iii) in the event the Common Stock is not publicly traded at the time a determination of its value is required to be made under the Award, the amount determined by the Committee in its discretion in such manner as it deems equitable and appropriate, taking into account all factors the Committee deems equitable and appropriate.

(l) "**Insider**" means, while the Company is a Publicly Held Corporation, an individual who is, on the relevant date, an officer, director or ten percent (10%) beneficial owner of any class of the Company's equity securities that is registered pursuant to Section 12 of the Exchange Act, all as defined under Section 16 of the Exchange Act.

(m) "**Option Price**" means the exercise price at which a Share may be purchased by the Optionee.

(n) "**Securities Act**" means the Securities Act of 1933, as amended.

(o) **"Share**" means a share of the Common Stock of the Company.

(p) "**Subsidiary**" means any entity (whether a corporation, partnership, joint venture or other form of entity) in which the Company or a corporation in which the Company owns a majority of the shares of capital stock, directly or indirectly, owns a greater than a 50% equity interest therein.

[End]

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO
EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Cary Bounds, certify that:

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

(2) Based on my knowledge, this 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 report;

(3) Based on my knowledge, the financial statements, and other financial information included in this 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 report;

(4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2017

/s/ Cary Bounds
Cary Bounds
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO
EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Philip F. Patman, Jr., certify that:

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

(2) Based on my knowledge, this 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 report;

(3) Based on my knowledge, the financial statements, and other financial information included in this 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 report;

(4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2017

/s/ Philip F. Patman, Jr.
Philip F. Patman, Jr.
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
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-Q for the quarterly period ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Cary Bounds, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 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 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: May 8, 2017

/s/ Cary Bounds
Cary Bounds, Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
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-Q for the quarterly period ended March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Philip F. Patman, Jr., Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 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: May 8, 2017

/s/Philip F. Patman, Jr.
Philip F. Patman, Jr., Chief Financial Officer