

VAALCO ENERGY INC /DE/
Form DEFA14A
April 26, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

VAALCO ENERGY, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

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(4) Date Filed:

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VAALCO ENERGY, INC.

9800 Richmond Avenue, Suite 700

Houston, Texas 77042

Dear Fellow Stockholders:

In 2018, we continued to take steps to transform VAALCO into a focused and financially strong company. We significantly grew our reserves, paid off all of our remaining debt and meaningfully added to our cash position. Most importantly, we secured the extension of our Production Sharing Contract (PSC) at our Etame Marin Field offshore Gabon which positions us for continued production and reserve growth for up to 20 more years. With the PSC extension in place, a clean balance sheet and strong quarterly financial and operational results, we believe VAALCO is positioned to create significant shareholder value for many years to come.

Our goal is to achieve transformational growth both organically and through potential acquisitions or mergers. We remain confident in the opportunities on our Etame asset. During the second half of 2019 and running through the first half of 2020, we plan to drill up to three development wells and two appraisal wellbores, funded entirely by cash on hand. Our talented team possesses a strong track record of safe and efficient operations which we seek to leverage to become a premier Africa operator with a diversified portfolio. We are targeting five times growth in production, reserves and value over the next six years. Our goal has been and will continue to be profitable and accretive growth that creates value for our shareholders.

The Board of Directors is committed to maintaining high standards of ethical conduct and governance. We are committed to clear communications with investors and look forward to engagement on a wide variety of topics at our 2019 Annual Meeting.

Signed,

The Board of Directors

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VAALCO ENERGY, INC.

9800 Richmond Avenue, Suite 700

Houston, Texas 77042

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To the Stockholders of VAALCO Energy, Inc.:

Notice is hereby given that the 2019 Annual Meeting of Stockholders of VAALCO Energy, Inc. (the “Company”) will be held at the Hotel Sorella CITYCENTRE, 800 Sorella Court, Houston, Texas 77024, on Thursday, June 6, 2019, at 9:00 a.m. Central Time (the “Annual Meeting”). The Annual Meeting is being held for the following purposes:

1. To elect five directors, each for a term of one year;
2. To ratify the appointment of BDO USA, LLP as the Company’s independent auditors for 2019;
3. To approve, on an advisory basis, the compensation of our Named Executive Officers; and
4. To transact such other business as may properly come before the Annual Meeting.

These proposals are described in the accompanying proxy materials. You will be able to vote at the Annual Meeting, or any adjournment or postponement thereof, only if you were a stockholder of record at the close of business on April 8, 2019.

We are providing access to our proxy materials over the Internet. To do this, we are mailing to our stockholders a Notice of Internet Availability of Proxy Materials, which we refer to in the proxy statement as a Notice. The Notice contains instructions on how to access those documents over the Internet, as well as instructions on how to request a paper copy of our proxy materials. We believe that the Notice process will allow us to provide the information you need in a timelier manner and will save the cost of printing and mailing documents to you.

In addition, stockholders may request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis. Stockholders who receive future proxy materials by email will save us the cost of printing and mailing documents and will reduce the impact of meetings of stockholders on the environment. A stockholder’s election to receive proxy materials by email will remain in effect until the stockholder terminates that election.

By Order of the Board of Directors,

Andrew L. Fawthrop
Chairman of the Board
Houston, Texas
April 26, 2019

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YOUR VOTE IS IMPORTANT!

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF THE STOCKHOLDERS TO BE HELD ON JUNE 6, 2019, AT 9:00 a.m., CENTRAL DAYLIGHT TIME:

The Proxy Statement and our Annual Report for 2018 are available at www.proxyvote.com.

If you have any questions or need assistance voting your shares, please call our proxy solicitor:

D.F. King & Co., Inc.

140 58th Street #50

Brooklyn, NY 11220

Banks and Brokerage Firms, please call: (212) 269-5550

Stockholders, please call toll free: (888) 564-8149

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VAALCO ENERGY, INC.

9800 Richmond Avenue, Suite 700

Houston, Texas 77042

PROXY STATEMENT

2019 ANNUAL MEETING OF STOCKHOLDERS

We are providing you these proxy materials in connection with the solicitation of proxies by our Board of Directors (the “Board of Directors” or the “Board”) to be voted at our 2019 Annual Meeting of Stockholders (our “Annual Meeting”), and at any postponement or adjournment of the Annual Meeting. In this proxy statement, VAALCO Energy, Inc. is referred to as the “Company,” “our company,” “we,” “our,” “us” or “VAALCO.”

Matters To Be Voted On

Item for Business	Board Vote Recommendation	Further Details (Page No.)
1. Election of five directors	FOR EACH DIRECTOR NOMINEE	17
Ratification of the appointment of independent	FOR	18
2. auditors		
3. Advisory resolution on executive compensation	FOR	20

YOUR VOTE IS IMPORTANT

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, WE ENCOURAGE YOU TO VOTE AND SUBMIT

YOUR PROXY BY INTERNET, TELEPHONE OR BY MAIL.

Governance Principles

The Board of Directors' Corporate Governance Principles, which include guidelines for determining director independence and qualifications for directors, are published on VAALCO's website at www.VAALCO.com. The website makes available all of VAALCO's corporate governance materials, including Board committee charters. These materials are also available in print to any stockholder upon request. The Board regularly reviews corporate governance developments and modifies its Governance Principles, committee charters and key practices as warranted.

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PROPOSAL NO. 1—ELECTION OF DIRECTORS

At the recommendation of the Nominating and Corporate Governance Committee, the Board of Directors has nominated the following individuals for election as directors of the Company to serve for a one-year term beginning at the Annual Meeting and expiring at the 2020 Annual Meeting of Stockholders and until either they are re-elected or their successors are elected and qualified:

Andrew L. Fawthrop

Cary M. Bounds

A. John Knapp, Jr.

Steven J. Pully

William R. Thomas

All of the above nominees are currently serving as directors of the Company. Biographical information for each nominee is contained in the “Directors” section below. The Board of Directors has no reason to believe that any of its nominees will be unable or unwilling to serve if elected. If a nominee becomes unable or unwilling to accept nomination or election, either the number of the Company's directors will be reduced or the persons acting under the proxy will vote for the election of a substitute nominee that the Board of Directors recommends. Only the nominees designated by the Board of Directors will be eligible to stand for election as directors at the Annual Meeting.

Board Composition

We believe that our directors should possess the highest personal and professional ethics, integrity and values and be committed to representing the long-term interests of the stockholders. They must also have an inquisitive and objective perspective, practical wisdom and mature judgment. We also endeavor to have a Board representing a range of experiences in business in areas that are relevant to the Company’s global activities. The evaluation of director nominees by the Nominating and Corporate Governance Committee also takes into account diversity of background.

The Nominating and Corporate Governance Committee has established criteria it considers as guidelines in considering nominations to the Board of Directors. The criteria include:

- personal characteristics, including such matters as integrity, age, education, diversity of background and experience, absence of potential conflicts of interest with VAALCO or its operations, and the availability and willingness to devote sufficient time to the duties of a director;
- experience in corporate management, such as serving as an officer or former officer of a publicly held company;
- experience in the oil and gas industry and with relevant social policy concerns;
- experience as a Board member of another publicly held company; and
- practical and mature business judgment.

The criteria are not exhaustive and the Nominating and Corporate Governance Committee and the Board of Directors may consider other qualifications and attributes which they believe are appropriate in evaluating the ability of an individual to serve as a member of the Board of Directors. Other than ensuring that at least one member of the Board is a financial expert and a majority of the Board members meet all applicable independence requirements, the Nominating and Corporate Governance Committee does not have any specific skills that it believes are necessary for any individual director to possess. Instead, the Nominating and Corporate Governance Committee evaluates potential nominees based on the contribution such nominee's background and skills could have upon the overall functioning of the Board.

In making its nominations, the Nominating and Corporate Governance Committee identifies nominees by first evaluating the current members of the Board willing to continue their service. Current members with qualifications and skills that are consistent with the Nominating and Corporate Governance Committee's criteria for Board service are re-nominated. As to new candidates, the Committee will generally poll the Board members and members of management for recommendations. The Nominating and Corporate Governance Committee may also review the composition and qualification of the boards of directors of VAALCO's competitors, and may seek input from industry experts or analysts. The Nominating and Corporate Governance Committee reviews the qualifications, experience and background of the candidates. Final candidates are interviewed by the independent directors and executive management. In making its determinations, the Nominating and Corporate Governance Committee evaluates each individual in the context of the Board as a whole, with the objective of assembling a group with diverse backgrounds that can best represent stockholder interests through the exercise of sound judgment. After review and deliberation of all feedback and data, the Nominating and Corporate Governance Committee makes its recommendation to the Board of Directors. The Nominating and Corporate Governance Committee may in the future choose to engage third-party search firms in situations where particular qualifications are required or where existing contacts are not sufficient to identify an appropriate candidate.

The Nominating and Corporate Governance Committee considers all candidates recommended by our stockholders in accordance with our Bylaw provisions. Stockholders may recommend candidates by writing to the Corporate Secretary at VAALCO Energy, Inc., 9800 Richmond Avenue, Suite 700, Houston, Texas 77042, stating the recommended candidate's name and qualifications for Board membership. When considering candidates recommended by stockholders, the Nominating and Corporate Governance Committee follows the same Board membership qualifications evaluation and nomination procedures discussed above.

The directors' experiences, qualifications and skills that the Board considered in their re-nomination are included in their individual biographies.

The Board of Directors unanimously recommends that stockholders vote FOR the election of each of the nominees.

The management proxy holders will vote all duly submitted proxies "FOR" Proposal ONE unless duly instructed otherwise.

DIRECTORS

The following table provides information with respect to current directors and nominees of VAALCO. Each nominated director will be elected to serve until the next annual meeting of stockholders or until his successor is elected and qualified.

Name	Age	Title
Andrew L. Fawthrop	65	Director and Chairman of the Board
Cary M. Bounds	51	Director and Chief Executive Officer
A. John Knapp, Jr.	66	Director
Steven J. Pully	58	Director
William R. Thomas	63	Director

The following is a brief description of the background and principal occupation of each director (including each nominee) and executive officer:

Andrew L. Fawthrop— Mr. Fawthrop has served on the Board since October 2014 and as the Chairman of the Board since December 2015. Mr. Fawthrop has deep and broad-based experience in the oil and gas industry, including in West Africa, having served for 37 years with Unocal Corporation and Chevron Corporation (following its acquisition of Unocal in 2005) in a vast number of international leadership positions. Most recently, from January 2009 until his retirement in 2014, Mr. Fawthrop served as Chairman and Managing Director for Chevron Nigeria. Prior to his assignment in Nigeria, Mr. Fawthrop served as President and Managing Director for Unocal/Chevron Bangladesh from 2003 until 2007. In his professional career, Mr. Fawthrop held various positions of increasing responsibility for exploration activities around the world in geographies including China, Egypt, Indonesia, South America, Africa, Latin America and Europe. Mr. Fawthrop served as a Member of the Advisory Board of Eurasia Group. He served as a Director of Hindustan Oil Exploration Co. Ltd. from 2003 to 2005. He was an active member of the United States Azerbaijan Chamber of Commerce, the Asia Society of Texas and the Houston World Affairs Council. Mr. Fawthrop holds a Bachelor of Science in Geology and Chemistry and a Master's degree in Marine Geology from the University of London.

Mr. Fawthrop's significant experience in the international E&P industry, particularly his experience in West Africa, provides a valuable resource to the Board. In addition, through his prior leadership roles and activities, he has extensive operational experience and strategy-making abilities with an executive-level perspective and knowledge base that provides a strong platform for the Board.

Cary M. Bounds—Effective December 29, 2016, Mr. Bounds was appointed as our company's Chief Executive Officer, and to our Board of Directors. He was appointed as our Interim Chief Executive Officer effective September 1, 2016, upon the effective resignation of Steven P. Guidry as our former chief executive officer. Mr. Bounds joined our company in July 2015 as our Chief Operating Officer. Mr. Bounds has held a variety of technical and management positions of increasing responsibility with major energy companies as well as independent E&P companies. Prior to joining our company, Mr. Bounds was Business Unit Manager and Vice President, Noble Energy Equatorial Guinea Limited from May 2013 until July 2015. Earlier in his tenure with Noble, Mr. Bounds held the position of North Sea Country Manager from April 2010 until May 2013. Prior to Noble, Mr. Bounds was the Engineering and Planning Manager, Worldwide for Terralliance Technologies, Inc. and served as their Country Manager in Mozambique from 2007 to 2010. Mr. Bounds was with SM Energy from 2004 to 2007 and held the position of Engineering Manager for their Gulf Coast and Permian regions. Mr. Bounds spent five years with Dominion E&P serving in corporate development, planning and reservoir engineering positions. Mr. Bounds began his career with ConocoPhillips in 1991 where he held a variety of reservoir and production engineering positions in U.S. onshore regions. Mr. Bounds holds a Bachelor of Science Degree in Petroleum Engineering from Texas A&M University.

Mr. Bounds' many years of significant experience in the international oil and gas industry strengthens the Board's collective qualifications, skills and experience. His role with the Company and knowledge and insight with respect to VAALCO's assets, people and day-to-day operations provide valuable contributions to the Board.

A. John Knapp, Jr.— Mr. Knapp has served on the Board since December 2015. Mr. Knapp is a Partner at ECA Opportunistic Advisors, LLC, an investment fund in Houston Texas, a position he has held since March 2011. He also serves as the President, Chief Executive Officer, and principal stockholder of Andover Group, Inc., a real estate investment and development company he founded in 1978. Previously, Mr. Knapp served as the Chief Executive

Officer and a director of ICO, Inc. (NASDAQ: ICOC), from October 2005 to April 2010. Mr. Knapp is a Chartered Financial Analyst and is currently a trustee of Transylvania University in Lexington, Kentucky. Mr. Knapp holds a Bachelor of Arts from Williams College. Mr. Knapp serves as a director and nominee pursuant to an arrangement with Kornitzer Capital Management, Inc.

Mr. Knapp's prior experience as a chief executive officer of a public company makes him a valuable resource to the Board. As a result of this experience he is able to advise the Board as to best practices relating to corporate governance, risk oversight, corporate responsibility and management, among other issues. His strong background in strategic and financial matters further provides valuable contributions to the Board.

Steven J. Pully—Mr. Pully has served on the Board since July 2015. Mr. Pully has over 30 years of experience in capital markets, finance, investing and legal matters. He also has extensive board participation and leadership experience, having served in a variety of roles on many other boards. Mr. Pully is currently on the board of three other public companies, Bellatrix Exploration, a Calgary-based oil and gas producer, Goodrich Petroleum Corp., an onshore U.S. oil and gas producer, and Harvest Oil & Gas, an onshore U.S. oil and gas producer. From 2008 until 2014, Mr. Pully served as General Counsel and a Partner of the investment firm, Carlson Capital, L.P. and was also on the board of directors of publicly-traded EPL Oil & Gas. Mr. Pully was also previously an investment banker, serving as a Managing Director in the energy and power investment banking division of Bank of America and as a Senior Managing Director in the natural resources investment banking department of Bear Stearns & Company. Mr. Pully began his career as an attorney with Baker Botts LLP in Houston. Mr. Pully holds a Bachelor of Science in Accounting from Georgetown University and a J.D. from The University of Texas School of Law. Mr. Pully is a Chartered Financial Analyst, a Certified Public Accountant in the State of Texas and a member of the State Bar of Texas.

Mr. Pully's significant experience serving on the boards of E&P companies, as well as his capital markets and legal experience, provides invaluable insight, making him an important resource for the Board. His strong financial and accounting background within our industry, and his prior experiences, professional credentials and expertise qualify him as a director and "financial expert."

William R. Thomas—Mr. Thomas was appointed to the Board in April 2019. Mr. Thomas has over 30 years of experience in the international energy industry. He has successfully built, managed and monetized oil companies in some of the world's most challenging environments. Mr. Thomas began his career as a roughneck working on land and marine drilling rigs in Australia, West Texas and Brazil while attending the University of Texas. In 1982, Mr. Thomas joined the International Division of Pennzoil Company. In 1986, Mr. Thomas entered investment banking with the Mergers & Acquisitions Department of Bankers Trust Company and advised energy clients on upstream mergers and acquisitions. He became CEO of Siberian American Oil Company, an early U.S.- Russian joint venture in 1994 and in 1996, joined Amoco Eurasia Petroleum Company as Vice President responsible for the Timan Pechora region of Russia. In 1998, Mr. Thomas was appointed President and CEO of Nations Energy Company Ltd, a Canadian company with operations in Western Kazakhstan. In 2001, Mr. Thomas was a founder and appointed CEO of Urals Energy N.V. which became Russia's largest independent oil company and eventually sold its production subsidiaries to LUKoil. He later was a founder and CEO of Urals Energy Public Company Ltd. and led the company to a successful IPO on London's AIM stock exchange in 2005. Since 2010, through his wholly-owned entity, Texas Oceanic Petroleum Co., Mr. Thomas has negotiated acquisitions of E&P companies around the world including in West Africa. Mr. Thomas graduated from the University of Texas at Austin with a B.A. in Economics. Mr. Thomas serves as a director and nominee pursuant to an arrangement with Group 42- BLR Group.

Mr. Thomas' significant experience in the international energy industry and his service in various executive roles provides a valuable resource to the Board. Mr. Thomas' investment banking background and experience with mergers and acquisitions will be a great benefit to the Board as the Company executes its business strategy.