May 12, 2009

VAALCO Energy Announces First Quarter 2009 Results

HOUSTON, May 12 /PRNewswire-FirstCall/ -- VAALCO Energy, Inc. (NYSE: EGY) today reported a net loss of $12.6 million or ($0.22) per diluted share for the first quarter of 2009 compared to net income of $1.8 million or $0.03 per diluted share for the comparable period in 2008. First quarter 2009 revenues were $21.3 million compared to $42.2 million in the first quarter of 2008.

First quarter 2009 results primarily reflect the costs associated with the previously announced unsuccessful exploration wells and the overall decline in crude oil prices, which resulted in average selling prices for the Company's product that were approximately half of what they were in the first quarter last year.

Robert Gerry, Chairman and CEO, said, "We are naturally disappointed with our first quarter performance, given the results of our exploration program. However, we believe that the opportunities we are currently reviewing, such as moving forward with seismic processing for prospects in Angola, have the potential to add meaningful reserves for the benefit of our shareholders. In addition, we successfully brought on line two new development wells in Ebouri and achieved a new production record for the Etame Marin block in April. With these wells, we expect 2009 production levels to be up approximately 11% over last year."

As previously announced, VAALCO plans to drill two exploratory wells offshore Angola for late 2009 and 2010, and a prospect in Southeast Etame, the timing of which will depend on consortium negotiations. In addition, the Company is currently in discussions with its partners regarding a new development well in the Etame Marin block, which it has currently budgeted to begin in 2009.

Financial Results Discussion

During the first quarter of 2009, the Company sold approximately 503,700 net barrels of oil equivalent at an average price of $42.15 per barrel, compared to 446,000 net barrels at an average price of $94.44 per barrel in the first quarter of 2008. The Company incurred an operating loss of $10.5 million in the first quarter of 2009 compared to operating income of $24.1 million in the first quarter of 2008.

Capital expenditures for the 2009 first quarter were $18.6 million consisting primarily of property and equipment additions, primarily associated with the platform and drilling of the three wells in the Ebouri field (an appraisal well plus two development wells).

Production expenses for the 2009 first quarter were $5.7 million compared to $4.4 million in the first quarter of 2008. The increase reflects the new production from Ebouri as well as higher FPSO costs and related transport and support costs.

Exploration expense of $20.5 million in the 2009 first quarter reflects four unsuccessful exploration wells and compares to $6.7 million of costs in the comparable period in 2008.

Income taxes for the first quarter of 2009 were $2.4 million compared to $21.4 million in the 2008 first quarter. The decline in income taxes reflects the lower oil revenues as commodity prices declined as well as a higher percentage of oil production allocated as cost oil versus profit oil.

Discretionary Cash Flow

Discretionary cash flow (a non-GAAP financial measure) shows the amount of cash generated by the Company that can be used as working capital, to reduce debt, or for future investment activities. Discretionary cash flow is presented because management believes it is a useful adjunct to net cash flow provided by operating activities under accounting principles generally accepted in the United States (GAAP). The measure is widely used by investors and professional research analysts in the valuation, comparison, rating and investment recommendations of companies within the oil and gas exploration and production industry. Discretionary cash flow can be reconciled to net cash provided by operating activities in the Statement of Consolidated Cash Flows filed with the SEC as follows:

Unaudited - (thousands of dollars)	Three Months Ended March 31,	
	2009	2008
Discretionary Cash Flow	14,005	14,507
Working Capital Changes, net of non-cash	(11,215)	(182)
Net cash provided by operating activities	2,790	14,325

Conference Call

As previously announced, the Company will hold a conference call to discuss its first quarter 2009 results on Tuesday, May 12, 2009 at 11:00 a.m. Central Time (12:00 p.m. Eastern Time). Interested parties may participate by dialing 1 (800) 288-8968. International parties may dial 1 (612) 332-0430. The confirmation code is 100603. This call will also be webcast on VAALCO's web site at *www.vaalco.com*.

An audio replay will be available beginning approximately one hour after the end of the conference call through June 11, 2009 on the Company's website and by dialing 1 (800) 475-6701. International parties may dial 1 (320) 365-3844. The confirmation code is 100603.

Summary financial results for the quarter are tabulated below.

	Three Months Ended March 31,	
(Unaudited - in thousands of dollars)	2009	2008
Revenues	$21,258	$42,158
Operating costs and expenses	(31,720)	(18,027)
Operating Income (Loss)	(10,462)	24,131
Other Income (Expense)	836	116
Income tax expense	(2,379)	(21,382)
Net Income (Loss)	($12,005)	$2,865
Less net income-noncontrolling interest	(614)	(1,064)
Net Income (Loss) - VAALCO Energy, Inc.	($12,619)	$1,801
Basic Income per Common Share	($0.22)	$0.03
Diluted Income per Common Share	($0.22)	$0.03

Other financial results:

(Unaudited)	Three Months Ended March 31, 2009	2008
Net oil and gas sales (MBOE)	504	446
Average price ($/bbl)	$42.15	$94.44
Production costs ($/bbl)	$11.29	$9.85
Depletion costs ($/bbl)	$11.22	$11.06
General and administrative costs ($/bbl)	($0.17)	$4.46
Capital Expenditures ($thousands)	$18,629	$1,840
Debt/Proved reserves ($/BOE)	$0.72	$0.87
Debt/Capitalization ($/$)	$0.03	$0.03
Cash and cash equivalents ($thousands)	$87,998	$79,734
Working capital ($thousands)	$68,256	$89,066
Total long term debt ($thousands)	$5,000	$5,000

Basic and diluted share information:

Item	Three months ended March 31, 2009	March 31, 2008
Basic weighted average common stock issued and outstanding	58,261,352	59,338,013
Dilutive option	0	363,265
Total diluted shares	58,261,352	59,701,278

Forward-Looking Statements

This document includes "forward-looking statements" as defined by the U.S. securities laws. Forward-looking statements are those concerning VAALCO's plans, expectations, and objectives for future drilling, completion and other operations and activities. All statements included in this document that address activities, events or developments that VAALCO expects, believes or anticipates will or may occur in the future are forward-looking statements. These statements include future production rates, drilling, completion and production timetables and costs to complete wells. These statements are based on assumptions made by VAALCO based on its experience perception of historical trends, current conditions, expected future developments and other factors it believes are appropriate in the circumstances. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond VAALCO's control. These risks include, but are not limited to, inflation, lack of availability of goods, services and capital, environmental risks, drilling risks, foreign operational risks and regulatory changes. Investors are cautioned that forward-looking statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements. These risks are further described in VAALCO's annual report on Form 10-K for the year ended December 31, 2008 and other reports filed with the SEC which can be reviewed at http://www.sec.gov, or which can be received by contacting VAALCO at 4600 Post Oak Place, Suite 309, Houston, Texas 77027, (713) 623-0801.

About VAALCO

VAALCO Energy, Inc. is a Houston based independent energy company principally engaged in the acquisition, exploration, development and production of crude oil. VAALCO's strategy is to increase reserves and production through the exploration and exploitation of oil and natural gas properties with high emphasis on international opportunities. The Company's properties and exploration acreage are located primarily in Gabon and Angola, West Africa.

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