January 27, 2009

VAALCO Energy Provides Update on Drilling Program

Commences First Production from New Ebouri Development Well

Announces Second Horizontal Development Well Following Positive Results from Appraisal Well and Sidetrack in North Ebouri

HOUSTON, Jan. 27 /PRNewswire-FirstCall/ -- VAALCO Energy, Inc. (NYSE: EGY) today announced that oil production has commenced from the Company's new development well in the Ebouri field. The well was drilled from one of the three well slots on the Ebouri platform. The platform was installed in a water depth of 250 feet.

As previously announced, VAALCO commenced drilling this development well in November 2008 with the jack-up rig Adriatic 6. The first pilot hole was drilled to the south of the original Ebouri discovery and a second pilot hole was drilled to the northwest of the original discovery. Both of these pilot holes were successful in delineating additional Gamba sandstone reservoir above the oil water contact, thereby increasing the acreage and reserves of the Ebouri field. The development well was completed horizontally on the same orientation as the second pilot hole. VAALCO has a 28.1% working interest in the Etame license area.

"I am pleased to begin 2009 with the success of both our development well and appraisal well in the Ebouri field," said Robert Gerry, Chairman and CEO of VAALCO. "Our drilling program continues at a strong pace and with results that have exceeded our expectations. These results combined with VAALCO's solid capital position give us confidence in our ability to continue growing reserves and shareholder value."

New North Ebouri Development Well

VAALCO also announced that it has commenced drilling a second horizontal development well following successful results from the North Ebouri appraisal well and recently completed sidetrack. The sidetrack well penetrated 65 feet of oil-filled Gamba sandstone, the thickest encountered to date in the Etame license area, proving-up significant additional reserves north of the originally mapped field development outline. The development well is being drilled in close proximity to the sidetrack. Completion and first oil production from this well are expected in March 2009.

With the new Ebouri and North Ebouri development wells, the Company expects total production from the Etame block to be approximately 25,000 bopd, which would maximize the current throughput oil capacity of the Floating Production, Storage and Offloading (FPSO) facility serving the Etame and Avouma / Tchibala fields.

With the completion of the North Ebouri appraisal well and sidetrack, the Pride Cabinda jack-up rig has been moved 4.4 miles to the southeast and has commenced drilling the North

Etame exploration well, which will be followed by a second exploration well in Southeast Etame.

Additional Planned Wells

Additional wells planned over the coming months include:

- Two exploratory wells onshore Gabon in the Mutamba concession: VAALCO is currently mobilizing and rigging-up the Nabors 864 rig at the first of the two planned drilling locations and expects to commence drilling the first exploratory well in early February 2009. Combined potential reserves for these two wells are expected to be in excess of 30 million barrels. VAALCO has a 100% working interest in the onshore Mutamba block.

- One exploratory well in Angola: The Company expects to drill a well on Angola Block 5 in late-2009 depending upon consortium agreement on the well objective and rig availability. The Company has recommended to the consortium a prospect with three objective zones, both above and below the salt layer on the block. Total potential from all three objectives is 150 million gross barrels. VAALCO has a 40% working interest in Block 5.

- Interest in North Sea: VAALCO has a 25% interest in a gas prospect on Block 48/25c in the British North Sea. The Company is participating with Century Exploration on the well, which is an offset to a former Shell gas discovery made in 1987. 3-D seismic data indicates the ability to get higher on the structure than the earlier well, increasing the potential reserves to 60 Bcf. VAALCO expects that drilling will begin in February 2009.

Forward-Looking Statements

This document includes "forward-looking statements" as defined by the U.S. securities laws. Forward-looking statements are those concerning VAALCO's plans, expectations, and objectives for future drilling, completion and other operations and activities. All statements included in this document that address activities, events or developments that VAALCO expects, believes or anticipates will or may occur in the future are forward-looking statements. These statements include future production rates, completion and production timetables and costs to complete well. These statements are based on assumptions made by VAALCO based on its experience perception of historical trends, current conditions, expected future developments and other factors it believes are appropriate in the circumstances. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond VAALCO's control. These risks include, but are not limited to, inflation, lack of availability of goods, services and capital, environmental risks, drilling risks, foreign operational risks and regulatory changes. Investors are cautioned that forward-looking statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements. These risks are further described in VAALCO's annual report on Form 10-K for the year ended December 31, 2007 and other reports filed with the SEC which can be reviewed at http://www.sec.gov, or which can be received by contacting VAALCO at 4600 Post Oak Place, Suite 309, Houston, Texas 77027, (713) 623-0801.

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 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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