May 9, 2011

VAALCO Energy Announces First Quarter 2011 Results

Reports 56% Increase in Year-Over-Year Revenues

HOUSTON, May 9, 2011 /PRNewswire/ -- VAALCO Energy, Inc. (NYSE: EGY) today reported net income attributable to VAALCO of $11.2 million or $0.19 per diluted share for the first quarter of 2011 compared to net income attributable to VAALCO of $6.0 million or $0.11 per diluted share for the comparable period in 2010. First quarter 2011 revenues were $46.8 million compared to $30.0 million in the first quarter of 2010, an increase of 56%. First quarter 2011 results reflect increases in both production levels and oil prices compared to the first quarter of 2010.

(Logo: https://photos.prnewswire.com/prnh/20100316/NY71495LOGO)

Exploration and Development Update

The Company provided the following update on its exploration and development program:

Gabon: VAALCO and its partners in the Etame Marin block are meeting in June 2011 to finalize the next drilling program, which is anticipated to begin in late 2011. Additional development wells and an exploration well are expected to be approved by the consortium. Seismic reprocessing is underway on the Mutamba Iroru block onshore Gabon and VAALCO is on track to drill an exploration well on the block in early 2012.

Angola: VAALCO has been encouraged by the continuing dialogue with the Republic of Angola regarding drilling plans for Block 5 offshore Angola. The Company is moving forward to purchase long lead-time items and entering into contracts with the anticipation that VAALCO will begin drilling the first of two exploration wells by the end of November 2011. VAALCO is optimistic that a new partner will join the Company on this block shortly. In addition, the Angolan government has provided verbal assurances that enable VAALCO to proceed with plans to drill the two exploration wells.

United States: The Company spudded the first well on the Granite Wash Formation lease in Hemphill County, Texas on May 9, 2011. The well will take approximately 45 days to drill followed by hydraulic fracturing, which is expected to take place in July 2011.

Financial Results Discussion

During the first quarter of 2011, the Company sold approximately 450,800 net barrels of oil equivalent at an average price of $103.76 per barrel compared to 403,200 net barrels of oil equivalent at an average price of $74.33 per barrel in the first quarter of 2010. The Company reported operating income of $31.3 million in the first quarter of 2011 compared to operating income of $17.9 million in the first quarter of 2010.

Crude oil production averaged 23,200 gross barrels of oil per day (bopd) in the three months ended March 31, 2011 compared to approximately 19,300 gross bopd in the three months ended March 31, 2010. The increase in year-over-year production volumes primarily reflects production from three new development wells drilled offshore Gabon in 2010, plus the successful workover of the Ebouri 3-H well to replace submersible pumps, also offshore Gabon.

Total production expenses were $5.2 million for the first quarter of 2011 compared to $4.9 million in the prior year quarter. The increase in year-over-year production expense was primarily due to retroactive compensation adjustments in Gabon totaling $0.3 million.

Exploration expense was $1.1 million in the first quarter of 2011 compared to $1.0 million of expense in the prior year quarter.

Income tax expense was $18.3 million for the first quarter of 2011 compared to $10.8 million in the prior year quarter. The increase in income tax in the first quarter 2011 over the comparable period in 2010 was due to the 56% increase in oil revenues and a higher percentage of oil production allocated as "profit oil" vs. "cost oil".

Balance Sheet

On March 31, 2011, the Company had unrestricted cash of $92.6 million and no debt. The Company expects its cash balances plus cash from operations will be more than sufficient to fund the Company's remaining 2011 capital expenditure budget.

Conference Call

As previously announced, the Company will hold a conference call to discuss its first quarter 2011 results on Tuesday, May 10, 2011 at 10:00 a.m. Central Time (11:00 a.m. Eastern Time). Interested parties may participate by dialing 1 (800) 230-1096. International parties may dial 1 (612) 234-9959. The confirmation code is 202555. 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 10, 2011 on the Company's website and by dialing 1 (800) 475-6701. International parties may dial 1 (320) 365-3844. The confirmation code is 202555.

Summary financial results for the quarter are tabulated below.

	Three Months Ended March 31,	
(Unaudited - in thousands of dollars)	2011	2010
Revenues	$46,772	$30,006
Operating costs and expenses	(15,430)	(12,127)
Operating Income	31,342	17,879
Other expense, net	(158)	(161)

Income tax expense	(18,288)	(10,794)
Net Income	12,896	6,924
Less net income - noncontrolling interest	(1,657)	(956)
Net income (Loss) - VAALCO Energy, Inc.	$11,239	$5,968
Basic net income per share attributable to VAALCO Energy, Inc.	$ 0.20	$ 0.11
Diluted net income per share attributable to VAALCO Energy, Inc.	$ 0.19	$ 0.11

	Three Months Ended March 31,	
(Unaudited)	2011	2010
Net oil and gas sales (MBOE)	451	403
Average price ($/bbl)	$103.76	$74.33
Production costs ($/bbl)	$11.61	$12.25
Depletion costs ($/bbl)	$13.53	$9.67
General and administrative costs ($/bbl)	$6.61	$5.66
Capital Expenditures ($thousands)	$1,980	$3,182

	As of	
	March 31, 2011	December 31, 2010
Cash and cash equivalents ($thousands)	$92,609	$81,234
Working capital ($thousands)	$132,071	$112,655

	Three Months Ended March 31,	
	2011	2010
Basic weighted average common stock issued and outstanding	56,970,688	56,422,340
Dilutive options	1,287,017	156,789
Total dilutive shares	58,257,705	56,579,129

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, expected capital expenditures, prospect evaluations, drilling timing, 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, prices for oil and gas, availability of drilling rig and other equipment, actions of our partners, lack of availability of goods, services and capital, environmental risks, drilling risks, foreign operational risks, regulatory changes and other factors listed in reports filed by the Company with the SEC. 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, 2010, VAALCO's quarterly report on Form 10-Q for the quarter ended March 31, 2011 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 and the United States.

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