August 10, 2009

VAALCO Energy Announces Second Quarter 2009 Results

Achieves Record Daily Average Production

Announces New Drilling Opportunities Planned for Fourth Quarter 2009

HOUSTON, Aug. 10 /PRNewswire-FirstCall/ -- VAALCO Energy, Inc. (NYSE: EGY) today reported a net loss attributable to VAALCO of $1.7 million or ($0.03) per diluted share for the second quarter of 2009 compared to net income of $13.0 million or $0.22 per diluted share for the comparable period in 2008. Second quarter 2009 revenues were $32.1 million compared to $55.4 million in the second quarter of 2008.

Second quarter 2009 results reflect 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 second quarter of last year. In addition, during the quarter, the Company incurred the remaining $12 million of costs associated with the previously announced unsuccessful exploration wells.

"We are pleased to have achieved record daily average production during the second quarter of 24,000 gross barrels of oil per day. This milestone is a testament to the operating expertise of our team, and we applaud their efforts," said Robert Gerry, Chairman and CEO. "As we look ahead, we are optimistic about VAALCO's continued success. The dry hole costs that impacted our first half results have been fully incurred, and we expect improved performance over the remainder of the year, despite the lower commodity prices.

"Further, in addition to our previously announced plans for two exploratory wells offshore Angola and an exploration well in Southeast Etame, we are today announcing plans for new wells beginning later this year," Mr. Gerry continued. "We believe that these prospects, together with the leads in our existing onshore Gabon concession and the opportunities afforded by VAALCO's strong capital position, provide a solid foundation for reserve growth and value creation."

Exploration and Development Update

During the second quarter of 2009, VAALCO announced the successful completion of its second horizontal development well in the Ebouri field, the EEBOM-3H well, in the Etame Marin block offshore Gabon. First oil production occurred on April 8, 2009, and a new production record of 24,993 barrels of oil per day (bopd) from the Etame Marin block was set two days later. With this well, VAALCO currently has eight producing wells offshore Gabon -- four in the Etame field, two in the Ebouri field, and one each in the Avouma and South Tchibala fields.

The Company today announced an update to its exploration and development program:

Gabon:

- The Company previously announced plans for an exploration well in Southeast Etame (ETSEM-1 well), and today announced plans to drill this well in the fourth quarter of 2009.
- VAALCO also announced plans for two new development wells -- one to be drilled from a well slot on the Ebouri platform (EEBOM-4H well) and a sub-surface completion well (ET-7H well) in the Etame field. Drilling is expected to begin as early as the fourth quarter of 2009 dependent on whether one or two jack-up drilling rigs will be contracted for in the overall drilling program.
- The Company expects to workover its EEBOM-3H development well to replace non-working electric submersible pumps.

- The Company is budgeting for a second exploration well in the Etame Marin concession, which will be drilled in 2010.

VAALCO expects that the combination of the two new development wells and the workover of the Ebouri well will provide for more than adequate production capacity to fully utilize the processing capacities of the floating production, storage and offloading ("FPSO") facility. The approximate oil processing capacity of the FPSO is approximately 25,000 bopd.

Angola:

- As previously announced, VAALCO has a production sharing contract for a 40% working interest in Block 5 offshore Angola. The Company is currently analyzing approximately 1,700 square kilometers of seismic data. Two well locations have been approved by the government of Angola, and the Company now expects the first of two planned exploration wells to be drilled in the first half of 2010.

Financial Results Discussion

During the second quarter of 2009, the Company sold approximately 544,000 net barrels of oil equivalent at an average price of $59.10 per barrel, compared to 464,000 net barrels of oil equivalent at an average price of $119.18 in the second quarter of 2008. The Company reported operating income of $6.6 million in the second quarter of 2009 compared to operating income of $40.7 million in the second quarter of 2008.

In June 2009, a realignment agreement was signed with a joint venture partner that originally did not participate in an appraisal well and one of the development wells in the Ebouri field, offshore Gabon. Pursuant to the agreement, the partner paid for its proportional share of the capital expenditures for the wells, thereby reducing the Company's capital expenditures in the second quarter of 2009 by $5.7 million. In addition, the Company benefits from its share of a risk premium being paid by the partner. In the second quarter of 2009, the Company received a $2.0 million risk premium payment, and this was recorded as other operating income. The remaining $4.5 million of proceeds that are owed to the Company are expected to be received and recognized as income in the third quarter of 2009.

Capital expenditures (excluding dry holes) of $2.4 million during the second quarter of 2009, primarily for a development well in the Ebouri field, were more than offset by the aforementioned payment by the joint venture partner.

Total production expenses of $4.5 million for the 2009 second quarter were flat over the prior year quarter, despite the increase in sales volumes. The Company matches production

expenses with crude oil sales. Any production expenses associated with unsold crude oil inventory are capitalized.

Exploration expense was $13.5 million in the 2009 second quarter reflecting the four unsuccessful exploration wells and compares to $1.3 million of costs in the comparable period in 2008.

Income tax expenses for the second quarter of 2009 were $7.3 million compared to $26.5 million in the 2008 second 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.

Share Repurchase Activity

On June 24, 2009, the Company announced that its Board of Directors had authorized the repurchase of up to $10 million of the Company's common stock. During the quarter ended June 30, 2009, the Company repurchased 146,354 shares at an average price of $4.15 per share. To date, the Company has repurchased 1.5 million shares at an average price of $4.14 per share for a total of approximately $6.2 million under this program.

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)	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Discretionary Cash Flow	$31,995	$35,004
Working Capital Changes, net of non-cash	(11,388)	20,249
Net cash provided by operating activities	$20,607	$55,253

Conference Call

The Company will hold a conference call to discuss its second quarter 2009 results on Tuesday, August 11, 2009 at 12:00 p.m. Eastern Time (11:00 a.m. Central Time). Interested parties may participate by dialing 1 (800) 288-8960. International parties may dial 1 (612) 234-9959. The confirmation code is 109261. 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 September 10, 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 109261.

Summary financial results for the quarter are tabulated below.

(Unaudited - in thousands of dollars)	Three Months Ended June 30, 2009	2008	Six Months Ended June 30, 2009	2008
Revenues	$32,148	$55,354	$53,406	$97,512
Operating costs and expenses	25,573	14,679	57,293	32,706
Operating Income (Loss)	6,575	40,675	(3,887)	64,806
Other Income (Expense)	709	793	1,545	909
Income tax expense	(7,323)	(26,488)	(9,702)	(47,870)
Net Income (Loss)	(39)	14,980	(12,044)	17,845
Less net income-noncontrolling interest	1,642	1,953	2,256	3,017
Net Income (Loss) - VAALCO Energy, Inc.	$(1,681)	$13,027	$(14,300)	$14,828
Basic Income (Loss) per Common Share	$(0.03)	$0.22	$(0.25)	$0.25
Diluted Income (Loss) per Common Share	$(0.03)	$0.22	$(0.25)	$0.25

Other financial results:

(Unaudited)	Three Months Ended June 30, 2009	2008	Six Months Ended June 30, 2009	2008
Net oil and gas sales (MBOE)	544	464	1,047	910
Average price ($/bbl)	$59.10	$119.18	$50.95	$107.06
Production costs ($/bbl)	$8.25	$9.78	$9.72	$9.81
Depletion costs ($/bbl)	$10.33	$11.29	$10.77	$11.18
General and administrative costs ($/bbl)	$7.24	$7.69	$3.68	$6.10
Capital Expenditures ($thousands)	($3,300)	$3,127	$9,300	$4,967

	June 30, 2009	June 30, 2008
Debt/Proved reserves ($/BOE)	$0.78	$0.94
Debt/Capitalization ($/$)	$0.03	$0.03
Cash and cash equivalents ($thousands)	88,369	108,583
Working capital ($thousands)	76,705	93,246
Total long term debt ($thousands)	5,000	5,000

Basic and diluted share information:

Item	Three months ended June 30, 2009	June 30, 2008	Six months ended June 30, 2009	June 30, 2008
Basic weighted average				

common stock issued and outstanding	58,260,074	58,878,846	58,260,741	59,107,639
Dilutive options	0	746,802	0	592,152
Total diluted shares	58,260,074	59,625,648	58,260,741	59,699,791

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, volatility of oil and natural gas prices, future production costs, future production quantities, the ability to replace reserves, inflation, lack of availability of drilling and other equipment, availability of services and capital, environmental risks, drilling risks, general economic 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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