May 10, 2010

VAALCO Energy Announces 2010 First Quarter Results

Provides Update on Ebouri 4H and Ebouri 3H Wells

HOUSTON, May 10 /PRNewswire-FirstCall/ -- VAALCO Energy, Inc. (NYSE: EGY) today reported net income attributable to VAALCO of $6.0 million, or $0.11 per diluted share, for the first quarter of 2010 compared to a net loss of $12.6 million, or ($0.22) per diluted share, for the comparable period in 2009. First quarter 2010 revenues were $30.0 million compared to $21.3 million in the first quarter of 2009.

(Logo: http://www.newscom.com/cgi-bin/prnh/20100316/NY71495LOGO)

First quarter 2010 results reflect significantly higher crude prices when compared to the first quarter of 2009. First quarter 2009 results also included costs for unsuccessful exploration wells that were not incurred in the 2010 quarter.

"We are pleased with the profitability VAALCO delivered in the first quarter and the positive start on our 2010 drilling program," said Robert Gerry, Chairman and CEO of VAALCO. "Initial production has begun on our new Ebouri 4H development well, and we expect Ebouri 3H to be back on production shortly following completion of the scheduled workover, which is proceeding as planned. Our balance sheet also remains strong, providing the financial support needed to continue advancing our exploration and development activities. We look forward to reporting on further progress in proving-up reserves and building value for our shareholders as the year progresses."

Exploration and Development Activities

The Company expects its cash balances plus cash from continuing operations will be more than sufficient to fund the Company's 2010 capital expenditure budget projection of $25.0 million to $40.0 million for its exploration and development programs in Gabon and Angola.

Gabon:

As previously announced, the contracted rig "Sapphire Driller" is on location at the Ebouri Platform offshore Gabon and commenced the drilling of four wells on March 10, 2010. These wells, in order of expected activity, are:

- Ebouri 4H Horizontal development well in the Ebouri Field to establish additional production. Drilling time of seven weeks at a gross cost of approximately $25.4 million ($7.7 million net to VAALCO). Initial production began on May 2, 2010 at 3,700 gross barrels per day on a 38/64" choke. The production optimization rate will be determined in the weeks to follow.

-- Ebouri 3HHorizontal workover to replace two electrical submersible pumps commenced on April 30, 2010, and the well is expected to be back on production by mid-May with expected production of approximately 3,000 to 4,000 gross barrels per day. Gross cost of approximately $5.4 million ($1.5 million net to VAALCO).

-- SE EtameMove rig approximately 14 kms to drill an exploration well to evaluate the Gamba and the deeper Dentale sandstones. Estimated drilling time of five weeks with a gross cost of $13.8 million ($4.2 million net to VAALCO). Potential gross recoverable reserves of 27 million barrels.

-- Etame 7HHorizontal development well in known separate fault block in Etame Field to add additional production of approximately 3,000 to 4,000 gross barrels per day. Estimated drilling time including installation of sub-sea tree is approximately eight weeks at a gross cost of $44.0 million ($13.4 million net to VAALCO).

The Company's subsidiary VAALCO Gabon Etame, Inc. operates and owns a 28.07% net interest in the Etame Field. Other field partners are Addax Petroleum Etame Inc. (31.36%), Sasol Petroleum Etame Limited (27.75%), Sojitz Etame Limited (2.98%), PetroEnergy Resources Corp. (2.34%) and Tullow Oil Gabon SA (7.5%).

VAALCO is continuing discussions with its partners regarding further wells offshore Gabon. As previously announced, for 2010, VAALCO has budgeted for two additional exploration wells in the Etame Marin concession. Depending on agreements with the Company's partners and the continued availability of the Sapphire Driller jack-up rig, one of these wells may be drilled following completion of the drilling program described above.

Angola:

As previously announced, VAALCO has a production sharing contract for a 40% working interest in Block 5 offshore Angola. The Company has acquired approximately 1,700 square kilometers of seismic data over a portion of the Block 5 and has identified drilling objectives. Plans to drill two explorations wells have been delayed due to a non-performing partner. In early 2010, the Company began the process of acquiring the interest of the non-performing partner and is working with the government of Angola regarding a time extension for the drilling of the commitment wells. These discussions are continuing. If the Company is successful in obtaining the extension, VAALCO expects the drilling to take place in the first half of 2011.

2010 First Quarter Financial Results Discussion

During the first quarter of 2010, the Company sold approximately 403,200 net barrels of oil equivalent at an average price of $74.33 per barrel compared to 503,700 net barrels of oil equivalent at an average price of $42.15 per barrel in the first quarter of 2009. The decrease in year-over-year production volumes primarily reflects reduced production from the Ebouri 3H well due to two malfunctioning electrical submersible pumps. As discussed

above, the well is currently undergoing a workover to replace the pumps and is expected to resume production of 3,000 to 4,000 gross barrels of oil per day by mid-May.

Operating income was $17.9 million in the first quarter of 2010 compared to an operating loss of $10.5 million in the first quarter of 2009.

Capital expenditures for the 2010 first quarter were $3.2 million compared to $18.6 million in the same 2009 period. The 2010 first quarter capital expenditures were primarily associated with two wells in the Etame Marin block, the Ebouri 4H well and the Etame 7H well.

Production expenses were $4.9 million in the first quarter of 2010 compared to $5.7 million in the first quarter of 2009. The decrease in year-over-year expenses was primarily due to lower sales volumes.

Exploration expense was $1.0 million in the first quarter of 2010 compared to $20.5 million of costs in the comparable period in 2009. The change was primarily due to unsuccessful exploration well costs incurred in the year ago period.

Income tax expense for the first quarter of 2010 was $10.8 million compared to $2.4 million in the 2009 first quarter. The increase in income taxes reflects higher oil prices and a higher percentage of oil production allocated as "profit oil" vs. "cost oil."

Balance Sheet

On March 31, 2010, the Company had cash balances, including funds in escrow, of $106.5 million and no debt.

Conference Call

As previously announced, the Company will hold a conference call to discuss its first quarter 2010 results on Tuesday, May 11, 2010 at 10:00 a.m. Central Time (11:00 a.m. Eastern Time). Interested parties may participate by dialing 1 (800) 230-1074. International parties may dial 1 (612) 288-0329. The confirmation code is 155179. 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, 2010 on the Company's website and by dialing 1 (800) 475-6701. International parties may dial 1 (320) 365-3844. The confirmation code is 155179.

Summary financial results for the quarter are tabulated below.

	Three Months Ended March 31,	
(Unaudited - in thousands of dollars)	2010	2009
Revenues	$30,006	$21,258
Operating costs and expenses	(12,127)	(31,720)
Operating Income (Loss)	17,879	(10,462)

Other Income (Expense)	(161)	836
Income tax expense	(10,794)	(2,379)
Net Income (Loss)	6,924	(12,005)
Less net income-noncontrolling interest	(956)	(614)
Net Income (Loss) – VAALCO Energy, Inc.	$5,968	($12,619)
Basic Income per Common Share	$0.11	($0.22)
Diluted Income per Common Share	$0.11	($0.22)

Other financial results:

	Three Months Ended March 31,	
(Unaudited)	2010	2009
Net oil and gas sales (MBOE)	403	504
Average price ($/bbl)	$74.33	$42.15
Production costs ($/bbl)	$12.25	$11.29
Depletion costs ($/bbl)	$9.67	$11.22
General and administrative costs ($/bbl)	$5.66	($0.17)
Capital Expenditures ($thousands)	$3,182	$18,629
Debt/Proved reserves ($/BOE)	$0.00	$0.72
Debt/Capitalization ($/$)	$0.00	$0.03
Cash and cash equivalents ($thousands)	$89,984	$87,998
Working capital ($thousands)	$87,720	$68,256
Total long term debt ($thousands)	$0	$5,000

Basic and diluted share information:

Item	Three months ended March 31, 2010	March 31, 2009
Basic weighted average common stock issued and outstanding	56,422,340	58,261,352
Dilutive option	156,789	0
Total diluted shares	56,579,129	58,261,352

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, 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, 2009 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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