November 8, 2010

VAALCO Energy Announces Third Quarter 2010 Results

HOUSTON, Nov. 8, 2010 /PRNewswire-FirstCall/ -- VAALCO Energy, Inc. (NYSE: EGY) today reported net income attributable to VAALCO of $12.5 million or $0.22 per diluted share for the third quarter of 2010 compared to net income attributable to VAALCO of $4.2 million or $0.07 per diluted share for the comparable period in 2009. Third quarter 2010 revenues were $32.6 million compared to $29.3 million in the third quarter of 2009. Third quarter 2010 results reflect higher oil prices when compared to the third quarter of 2009.

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Exploration and Development Update

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

Gabon:

VAALCO has an ongoing drilling program offshore Gabon. As previously announced, VAALCO successfully completed the Ebouri 4H development well, which began producing oil in May 2010, and a workover of the Ebouri 3H well to replace submersible pumps. The third well in the drilling program resulted in a discovery on the Southeast Etame prospect. Various completion options for the Southeast Etame discovery are being considered as part of a study on future development plans for the Etame Marin block. The fourth well in the drilling program was a horizontal, sub-sea completed development well that replaces the original vertical field discovery well (ET-1V) in the Etame field. The Etame 7H well is expected to begin producing oil before the end of 2010.

The remaining wells in the ongoing drilling program offshore Gabon are as follows:

- ETBSM-2H Development well in the South Tchibala field which is being drilled from the existing Avouma/South Tchibala platform at an estimated gross cost of $22.5 million ($6.8 million net to VAALCO). After a successful drilling of the well, the completion assembly slipped through the elevator as it was being lowered in the hole. The top of the assembly has been tagged at 29 meters below the rotary table and operations are underway to retrieve the assembly. VAALCO will provide an update when these operations are completed.

- ETOMG-1Exploration well on the Omangou prospect to test both the Gamba and Dentale reservoirs. The Omangou prospect is located approximately two miles southeast of the Ebouri platform and approximately four miles to the northwest of the center of the Etame field. The well is expected to be drilled in 2010 at a gross cost of $12.5 million ($3.8 million net

to VAALCO).

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

Onshore Gabon, the Company has a working interest in the Mutamba Iroru block located near the coast in central Gabon. In October 2010, the Company negotiated a second exploration period extension, expiring in May 2012, with the Republic of Gabon. As previously announced, VAALCO has reached an agreement with Total Gabon establishing a joint operation on the Mutamba Iroru block. VAALCO expects the joint operation to result in seismic reprocessing in 2010 and 2011 followed by the drilling of a well in 2012.

Angola:

VAALCO has a production sharing contract for a 40% working interest in Block 5 offshore Angola. Plans to drill two exploration wells have been delayed due to a non-performing partner.

In early 2010, the Company began working with the government of Angola to obtain both a replacement partner and a time extension for the drilling of the exploration wells committed to under its contract with the Angolan national oil company, Sonangol P&P. In an October 2010 meeting, the Sonangol Block Chairman confirmed that Sonangol and the Ministry of Petroleum have approved a one-year extension for the drilling of the two commitment wells. Sonangol also stated that the approval will be published in Angola's Official Gazette, *Diario da Republica*.

The Company has opened a data room for potential partners to evaluate the opportunity. The data room will remain open until the end of November 2010 and interested companies will be referred to Sonangol for the negotiations and selection process.

With the expected time extension and the assignment of a replacement partner or partners, the Company estimates the drilling of the two Block 5 exploration wells will take place in the second half of 2011.

Financial Results Discussion

During the third quarter of 2010, the Company sold approximately 429,000 net barrels of oil equivalent at an average price of $76.17 per barrel compared to 436,000 barrels of oil equivalent at an average price of $67.07 per barrel in the third quarter of 2009. The Company reported operating income of $21.6 million in the third quarter of 2010 compared to operating income of $19.6 million in the third quarter of 2009.

Crude oil production averaged 20,600 barrels of oil per day (bopd) in the three months ended September 30, 2010 compared to approximately 23,300 bopd in the three months ended September 30, 2009. The decline in the bopd between the periods is primarily attributable to natural decline and increasing water cuts from mature wells.

Total production expenses were $4.8 million for the 2010 third quarter compared to $5.7 million in the prior year quarter. The decline in the 2010 third quarter production expense was primarily due to the domestic market obligation ("DMO") invoice from the Republic of Gabon which was lower than the amount estimated by the Company. In addition, production expense for the third quarter of 2009 was impacted by one-time floating production, storage and offloading (FPSO) labor costs associated with a labor law change. The Company matches production expenses with crude oil sales. Any production expenses associated with unsold crude oil inventory are capitalized.

Exploration expense was $0.7 million in the third quarter of 2010 compared to $0.9 million of expense in the comparable period in 2009.

Income tax expense for the third quarter of 2010 was $7.4 million compared to $13.3 million in the 2009 third quarter. Income tax was lower due to a higher percentage of crude sales allocated as "cost oil" versus "profit oil" which is a result of the expenditures associated with the drilling program.

Balance Sheet

On September 30, 2010, the Company had unrestricted cash balances of $91.2 million and no debt. The Company expects its cash balances plus cash from continuing operations will be more than sufficient to fund the Company's exploration and development programs in Gabon and Angola.

Conference Call

As previously announced, the Company will hold a conference call to discuss its third quarter 2010 results on Tuesday, November 9, 2010 at 10:00 a.m. Central Time (11:00 a.m. Eastern Time). Interested parties may participate by dialing 1 (800) 230-1092. International parties may dial 1 (612) 332-0107. The confirmation code is 175620. 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 Thursday, December 9, 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 175620.

Summary financial results for the quarter are tabulated below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Unaudited - in thousands of dollars)	2010	2009	2010	2009
Revenues	$32,604	$29,262	$96,285	$82,668
Operating costs and expenses	11,001	9,689	36,710	66,982
Operating Income	21,603	19,573	59,575	15,686

Other Income (Expense)	(301)	(1,194)	(465)	351
Income tax expense	(7,369)	(13,301)	(26,839)	(23,003)
Net Income (Loss)	13,933	5,078	32,271	(6,966)
Less net income - noncontrolling interest	1,482	891	3,816	3,147
Net Income (Loss) - VAALCO Energy, Inc.	$12,451	$4,187	$28,455	($10,113)
Basic Income (Loss) per Common Share	$ 0.22	$ 0.07	$ 0.50	$ (0.18)
Diluted Income (Loss) per Common Share	$ 0.22	$ 0.07	$ 0.50	$ (0.18)

Other Financial results:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Unaudited)	2010	2009	2010	2009
Net oil and gas sales (MBOE)	429	436	1,275	1,483
Average price ($/bbl)	$76.17	$67.07	$75.69	$ 55.69
Production costs ($/bbl)	$11.22	$13.01	$12.45	$10.69
Depletion costs ($/bbl)	$10.58	$10.12	$10.09	$10.58
General and administrative costs ($/bbl)	$2.21	$7.50	$4.59	$4.80
Capital Expenditures ($thousands)	$11,100	$1,600	$23,400	$20,900

Cash and cash equivalents ($thousands)	$91,223	$84,386
Working capital ($thousands)	$101,173	$78,415

Basic and diluted share information:

	Three months ended		Nine months ended	
Item (unaudited)	Sept. 30, 2010	Sept. 30, 2009	Sept. 30, 2010	Sept. 30, 2009
Basic weighted average common stock issued and outstanding	56,435,297	56,789,977	56,428,344	57,765,099
Dilutive options	757,593	384,078	494,601	0
Total diluted shares	57,192,890	57,174,055	56,922,945	57,765,099

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, reserve opportunities, 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 uncertainty of estimates of oil and natural gas reserves, the ability to replace reserves, inflation, lack of availability of drilling and other equipment, availability of services and capital, environmental risks, drilling and

production risks, general economic risks, the ability to attract a new partner in Angola, actions of VAALCO's working interest partners, foreign operational risks and regulatory compliance and 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, quarterly report on Form 10-Q for the period ended September 30, 2010 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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