March 14, 2011

VAALCO Energy Announces 2010 Fourth Quarter and Full-Year Results

HOUSTON, March 14, 2011 /PRNewswire/ -- VAALCO Energy, Inc. (NYSE: EGY) today reported results for the fourth quarter and full-year of 2010.

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

For the 2010 fourth quarter, VAALCO reported net income attributable to VAALCO of $8.9 million, or $0.15 per diluted share, compared to net income attributable to VAALCO of $2.2 million, or $0.04 per diluted share, for the comparable period in 2009. Fourth quarter 2010 revenues were $38.2 million compared to $32.6 million in the fourth quarter of 2009. Fourth quarter 2010 results reflect higher crude prices partially offset by lower sales volumes when compared to the fourth quarter of 2009.

For the year ended December 31, 2010, VAALCO reported a net income attributable to VAALCO of $37.3 million, or $0.65 per diluted share, compared to a net loss attributable to VAALCO of $7.9 million, or ($0.14) per diluted share, for the year ended December 31, 2009. For the year ended December 31, 2010 results reflect higher prices received for oil sales and lower exploration costs when compared to 2009.

"We are pleased with our results for the fourth quarter and full year 2010 and with the results of the drilling program we conducted offshore Gabon during the year," said Robert Gerry, Chairman and CEO of VAALCO. "We are currently working with our consortium partners to develop plans for a further drilling program offshore Gabon. In addition, we are evaluating the opportunities available to us onshore Gabon, offshore Angola and in the United States to enhance shareholder value via the drill bit."

Exploration and Development Activities

The Company's cash balances combined with cash flow from operations will be sufficient to fund the Company's 2011 capital expenditure budget, which is expected to range from $35.0 to $60.0 million, to further develop the Etame Marin block, for drilling in the Granite Wash formation lease in Texas and for potential drilling in Angola.

Gabon:

During 2010, VAALCO completed a drilling program offshore Gabon consisting of the following six wells:

- A development well drilled from the Ebouri platform which began producing oil in May 2010.

- A successful workover of the Ebouri 3-H well to replace submersible pumps.

- An exploration well with two sidetracks in the Southeast Etame field which resulted in an oil discovery in the Gamba reservoir.

- A development well in the South Tchibala field which began producing oil in November 2010.

- A subsea completed development well in the Etame field which began producing oil in December 2010.

- An exploration well on the Omangou prospect which was water-bearing in the objective reservoir and was subsequently abandoned.

Together with its consortium partners, VAALCO is currently undertaking a study on future development plans for the Etame Marin block, including various completion options for the 2010 oil discovery in the Southeast Etame field. Additionally, VAALCO expects to acquire further 3-D seismic data on the Etame Marin block during 2011.

The Company's subsidiary VAALCO Gabon Etame, Inc. operates the Etame Marin Permit in which it holds a 28.07% net interest in the Etame Field. Other participants in the permit 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. Seismic reprocessing began in the first quarter of 2011 and VAALCO expects to drill an exploration well on the block in the first half of 2012.

Angola:

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

By governmental decree dated December 1, 2010, the former partner was removed from the production sharing contract and a one year time extension was granted. The Company and the government of Angola then agreed on the process for obtaining a replacement partner. The Company opened a data room in Houston which is expected to close in the second quarter of 2011. Information related to interested parties will then be provided to the

government of Angola for selection and finalization. The government of Angola has expressed willingness to consider a further time extension once the new partner has been selected and a timeline of the drilling plans is completed.

United States:

The Company acquired a 640 acre lease in the Granite Wash formation in Hemphill County, Texas in December 2010. The first well on this acreage is expected to be drilled in the second quarter of 2011.

2010 Fourth Quarter Financial Results Discussion

During the fourth quarter of 2010, VAALCO sold 439,000 net barrels of crude oil equivalent at an average price of $87.02 per barrel compared to 452,000 net barrels of crude oil equivalent at an average price of $72.19 per barrel in the fourth quarter of 2009. Operating income was $18.5 million in the fourth quarter of 2010 compared to an operating income of $17.3 in the fourth quarter of 2009.

Total production expenses for the 2010 fourth quarter were $6.2 million compared to $6.1 million in the prior year quarter.

Exploration expense was $4.7 million in the fourth quarter of 2010 compared to $1.6 million of costs in the comparable period in 2009. Exploration expense in the fourth quarter of 2010 includes $2.6 million for the unsuccessful Omangou exploration well offshore Gabon.

Income tax expenses for the fourth quarter of 2010 were $8.4 million compared to $13.9 million in the 2009 fourth quarter.

2010 Full-Year Financial Results Discussion

Total oil and gas sales for 2010 were $134.5 million as compared to $115.3 million for 2009. In 2010, the Company sold approximately 1,714,000 net barrels at an average price of $78.45 per barrel from the Etame Marin block. In 2009, the Company sold approximately 1,936,000 net barrels at an average price of $59.54 per barrel from the Etame Marin block. The decline in the sales volume between the periods is primarily attributable to natural decline and increasing water cuts from mature wells. Operating income in 2010 was $78.1 million compared to $33.0 million for 2009. The significant increase in operating income in 2010 versus 2009 was primarily attributable to the higher average crude sales price of $78.45, an increase of $18.91 per barrel, and a year to year decrease in exploration expense totaling $29.7 million.

Production expenses for 2010 were $22.1 million, as compared to $22.0 million for 2009. The Company matches production expenses with crude oil sales. Any production expenses associated with unsold crude oil inventory are capitalized.

Exploration cost for 2010 was $6.8 million, as compared to $36.5 million for 2009. In 2010, exploration costs were primarily comprised of $2.6 million for the unsuccessful Omangou exploration well offshore Gabon, $1.4 million for seismic costs in the Etame Marin block offshore Gabon, exploration expense of $0.7 million onshore Gabon and $0.9 million for geotechnical studies in Angola.

In 2010, the Company incurred $35.3 million of income taxes compared to $36.9 million paid in 2009 which were associated with the Etame Marin block production, and which were

incurred in Gabon. The slightly lower income taxes incurred in 2010 versus 2009 was a function of lower sales quantities largely offset by higher crude oil sales prices.

Balance Sheet

On December 31, 2010, the Company had cash balances of $81.2 million and funds in escrow of $15.8 million, compared to cash balances of $80.6 million and funds in escrow of $16.4 million on December 31, 2009. Working capital at December 31, 2010 of $112.7 million was significantly higher than the $81.0 million amount of working capital at December 31, 2009.

Conference Call

As previously announced, the Company will hold a conference call to discuss its fourth quarter and full-year 2010 results on Tuesday, March 15, 2011 at 10:00 a.m. Central Time (11:00 a.m. Eastern Time). Interested parties may participate by dialing 1 (800) 553-5260. International parties may dial 1 (612) 332-1025. The confirmation code is 193152. 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 April 15, 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 193152.

Summary financial results for the quarter and full year are tabulated below.

Abbreviated Financial Results:

	Three Months Ended December 31,		Year Ended December 31,	
(Unaudited - in thousands of dollars)	2010	2009	2010	2009
Revenues	$ 38,187	$ 32,630	$ 134,472	$ 115,298
Operating costs and expenses	19,639	15,297	56,349	82,279
Operating Income (Loss)	18,548	17,333	78,123	33,019
Other Income (Expense)	(11)	(612)	(476)	(261)
Income tax expense	(8,421)	(13,899)	(35,260)	(36,902)
Net Income (Loss)	10,116	2,822	42,387	(4,144)
Less net income - noncontrolling				

interest	(1,231)	(598)	(5,047)	(3,745)
Net income (Loss) - VAALCO Energy, Inc.	$ 8,885	$ 2,224	$ 37,340	$ (7,889)
Basic Net Income (Loss) per Common Share	$ 0.16	$ 0.04	$ 0.66	$ (0.14)
Diluted Net Income (Loss) per Common Share	$ 0.15	$ 0.04	$ 0.65	$ (0.14)

Summary Statistics:

	Three Months Ended December 31,		Year Ended December 31,	
(Unaudited)	2010	2009	2010	2009
Net oil and gas sales (MBOE)	439	452	1,714	1,936
Average price ($/bbl)	$ 87.02	$ 72.19	$ 78.45	$ 59.54
Production costs ($/bbl)	$ 14.20	$ 13.56	$ 12.90	$ 11.35
Depletion costs ($/bbl)	$ 16.32	$ 11.23	$ 11.68	$ 10.72
General and administrative costs ($/bbl)	$ 3.53	$ 5.45	$ 4.32	$ 4.95
Capital Expenditures ($thousands)			$ 40,451	$ 12,159
Debt/Proved reserves ($/BOE)			$ -	$ -
Debt/Capitalization ($/$)			$ -	$ -
Cash and cash equivalents ($thousands)			$ 81,234	$ 80,570
Working capital ($thousands)			$ 112,655	$ 80,981

Total long term debt ($thousands)	$ -	$ -

Basic and Diluted Share Information:

	Twelve months ended,	
	December 31, 2010	December 31, 2009
Basic weighted average common stock issued and outstanding	56,465,800	57,408,223
Dilutive options	572,253	-
Total dilutive shares	57,038,053	57,408,223

Reserve Information:

	Oil (MBbls)	Gas (MMcf)
BALANCE AT DECEMBER 31, 2009	7,363	23
Production	(1,715)	(38)
Revision of previous estimates	1,274	38
Extensions and discoveries	-	-
BALANCE AT DECEMBER 31, 2010	6,922	23

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 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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