August 8, 2011

VAALCO Energy Announces Second Quarter 2011 Results

HOUSTON, Aug. 8, 2011 /PRNewswire/ -- VAALCO Energy, Inc. (NYSE: EGY) today reported net income attributable to VAALCO of $11.8 million, or $0.20 per diluted share, for the second quarter of 2011 compared to a net income attributable to VAALCO of $10 million, or $0.18 per diluted share, for the comparable period in 2010. Second quarter 2011 revenues were $58.5 million compared to $33.7 million in the second quarter of 2010.

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

Highlights – Six Months 2011 vs. 2010:

- 65% increase in gross revenues
- 94% increase in operating income
- 43% increase in earnings per share
- Subject to final closing on acreage in Roosevelt County, Montana, assembled approximately 28,200 gross acres (approximately 18,600 acres net) in Bakken prospective acres

Robert Gerry, Chairman and CEO, commented: "VAALCO had a great first six months, primarily driven by increased production and robust commodity prices. We believe our strong balance sheet and cash flow from operations will allow VAALCO to explore in Angola in the first half of 2012 while continuing to add additional reserves and cash flow through our unconventional properties."

Exploration and Development Activities

Gabon:

The Company's capital expenditure plans offshore Gabon for the next six to twelve months include modifications to the Avouma and Ebouri platforms in preparation for a multi-well drilling campaign to be commenced in the first half of 2012.

Following an extensive review of the Etame field, VAALCO is developing the specifications for construction of a new platform to be used for additional development wells in the field. In conjunction with this work, platform specifications are also being developed for a second platform to develop the 2010 South East Etame discovery and provide a base for further delineation of the North Tchibala area.

Onshore Gabon, seismic reprocessing began in the first quarter of 2011 on the Mutamba Iroru block and VAALCO expects to drill an exploration well on the block in the first half of 2012.

Angola:

VAALCO has been encouraged by the continuing dialogue with the Republic of Angola regarding drilling plans for Block 5 offshore Angola. VAALCO believes that a new venture partner is likely to be named for Block 5 in the near future.

Accordingly, the government requested VAALCO to proceed with obtaining bids from drilling rig companies and agreed to be financially responsible for expenditures made prior to the naming of the new partner. After opening the bids received from drilling rig companies with government representatives present, VAALCO expects a suitable rig for drilling the exploration wells will be available in the first quarter of 2012. Due to the timing of rig availability, the Company requested a formal extension to the previously announced November 2011 expiration date for drilling the two exploration wells. In July 2011, a government official provided the Company with a guarantee the time extension would be granted.

United States:

During June and early July 2011, VAALCO drilled an exploration well on its initial Granite Wash Formation lease in Hemphill County, Texas at a cost of $10 million. The fracturing and fluid cleanout operations are underway and initial liquid, and gas sales are expected from this well in the first half of August 2011.

During the second quarter of 2011, VAALCO purchased a 70% working interest in 5,214 acres in Sheridan County, Montana. A well is anticipated to be drilled in the fourth quarter of 2011 at a net cost to VAALCO of approximately $3.5 million.

Furthermore, in July 2011, the Company signed a letter of intent with Magellan Petroleum Corporation (NASDAQ: MPET) to purchase additional Bakken prospective acreage in the East Poplar Unit and the Northwest Poplar Field in Roosevelt County, Montana. VAALCO expects to complete this transaction by mid September. Under the terms of the acquisition, VAALCO expects to acquire a 65% working interest in the Bakken and deeper horizons in the Poplar Field. VAALCO will operate its deep rights in the subject acreage in return for cash consideration at closing and its funding of 100% of the cost to drill three wells by the end of 2012, including one well by June 1, 2012, at a cost to VAALCO of approximately $5 million per well.

2011 Second Quarter Financial Results Discussion

During the second quarter of 2011, the Company sold approximately 490,000 net barrels of oil equivalent at an average price of $119.37 per barrel compared to 443,000 net barrels of oil equivalent at an average price of $76.00 per barrel in the second quarter of 2010. Crude oil sales are a function of the number and size of crude oil liftings in each quarter from the Company's floating production, storage and offloading ("FPSO") facilities.

Crude oil production from the Etame, Avouma, South Tchibala and Ebouri fields averaged approximately 22,200 barrels of oil per day ("BOPD") in the second quarter of 2011 compared to approximately 20,200 BOPD in the second quarter of 2010. This production increase was due primarily to production from three development wells drilled in 2010 plus the successful workover of an additional well, all offshore Gabon.

Capital expenditures were $7.5 million for the second quarter and $9.5 million for the first half of 2011, primarily associated with the $2.6 million acquisition of a 70% working interest

in the Bakken formation in Sheridan County, Montana, and $5.1 million drilling expenditure for the first well in the initial Granite Wash formation lease in north Texas.

During the remainder of 2011, the Company anticipates its share of capital expenditures will be approximately $5.0 million for completing the initial well in the Granite Wash formation lease in Texas, $18.0 million for platform modifications and equipment purchases in advance of the 2012 drilling programs in Gabon and $3.0 million for equipment purchases in advance of drilling the two exploration wells in Angola, projected in the first half of 2012. A second Granite Wash well is anticipated to be drilled in late 2011 or early 2012 at a cost of $10.0 million. Depending on rig availability, the Company anticipates its share of capital expenditures in the Montana Bakken formation leases in 2011 could be in the range of $5.0 to $7.0 million.

Production expenses were $5.8 million in the second quarter of 2011 compared to $6.1 million in the prior year period. Although operating costs were higher in the second quarter of 2011 compared to the prior year period, overall production expenses were lower primarily due to 2010 workover expenses of $1.2 million associated with the Ebouri 3H well to replace failed submersible pumps.

Exploration expense was $1.2 million for the second quarter of 2011 compared to $0.4 million in the comparable period in 2010. Exploration expense was higher primarily due to expenses of $0.6 million for exploration activities in North America, $0.2 million seismic reprocessing onshore Gabon and $0.3 million for exploration activities in Angola.

Income tax expense for the second quarter of 2011 amounted to $29.6 million compared to $8.7 million for the prior year period. All income taxes for these periods were incurred in Gabon. Income taxes for the second quarter of 2011 were higher than in the prior year period due to a 74% increase in the oil revenues and a higher percentage of oil allocated as "profit oil" versus "cost oil".

Balance Sheet

On June 30, 2011, the Company had unrestricted cash balances of $114.5 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, Angola and the United States.

Conference Call

As previously announced, the Company will hold a conference call to discuss its second quarter 2011 results on Tuesday, August 9, 2011 at 10:00 a.m. Central Time (11:00 a.m. Eastern Time). Interested parties may participate by dialing 1 (800) 230-1951. International parties may dial 1 (612) 332-0630. The confirmation code is 211063. 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 Friday, September 9, 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 211063.

Summary financial results for the quarter are tabulated below.

(Unaudited - in thousands of dollars)	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Revenues	$58,547	$33,675	$105,319	$63,681
Operating costs and expenses	(16,035)	(13,582)	(31,466)	(25,709)
Operating Income	42,512	20,093	73,853	37,972
Other expense, net	639	(3)	481	(164)
Income tax expense	(29,641)	(8,676)	(47,929)	(19,470)
Net Income	13,510	11,414	26,405	18,338
Less net income - noncontrolling interest	(1,723)	(1,378)	(3,380)	(2,334)
Net income (Loss) - VAALCO Energy, Inc.	$11,787	$10,036	$23,025	$16,004
Basic net income per share attributable to VAALCO Energy, Inc.	$ 0.21	$ 0.18	$ 0.40	$ 0.28
Diluted net income per share attributable to VAALCO Energy, Inc.	$ 0.20	$ 0.18	$ 0.40	$ 0.28

Other financial results:

(Unaudited)	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Net oil and gas sales (MBOE)	490	443	941	846
Average price ($/bbl)	$119.37	$76.00	$111.90	$75.20
Production costs ($/bbl)	$11.84	$13.83	$11.73	$13.08
Depletion costs ($/bbl)	$13.34	$9.98	$13.43	$9.83
General and administrative costs ($/bbl)	$5.08	$5.93	$5.82	$5.80
Capital Expenditures ($thousands)	$7,513	$8,389	$9,493	$12,422

	As of June 30, 2011	As of December 31, 2010
Cash and cash equivalents ($thousands)	$114,467	$81,234
Working capital ($thousands)	$142,573	$112,655

Basic and diluted share information:

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Basic weighted average common stock issued and outstanding	57,026,745	56,427,253	56,998,871	56,424,810
Dilutive options	994,581	601,245	1,113,696	302,090
Total dilutive shares	58,021,326	57,028,498	58,112,568	56,726,900

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, 2010, on Part II, Item 1A of 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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SOURCE VAALCO Energy, Inc.