May 8, 2012

VAALCO Energy Announces First Quarter 2012 Results

HOUSTON, May 8, 2012 /PRNewswire/ -- VAALCO Energy, Inc. (NYSE: EGY) today reported net income attributable to VAALCO of $9.0 million or $0.15 per diluted share for the first quarter of 2012 compared to net income attributable to VAALCO of $11.2 million or $0.19 per diluted share for the comparable period in 2011. First quarter 2012 revenues were $45.3 million compared to $46.8 million in the first quarter of 2011.

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

Robert Gerry, Chairman and CEO, commented: "It was another good quarter of performance for the Company, especially when you consider that a timing delay by the purchaser led to booking two crude liftings as compared to three from the comparable quarter one year ago. We continue to work with the Angolan government to expedite the exploration of Block 5 in the offshore Kwanza Basin. Progress continues to evolve toward the drilling of an exploration well in 2012."

"We believe that the next twelve months are on track to produce positive results for our shareholders as we intend to commence drilling at least ten exploration/development wells during this period. We continue to investigate additional opportunities in both the U.S. and abroad to build a diversified portfolio of producing properties for the benefit of our shareholders."

Exploration and Development Update

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

Gabon:
During the first quarter of 2012, VAALCO continued to invest in platform modifications to both of the Company's platforms offshore Gabon to accommodate the drilling of additional wells planned for the second half of 2012. In addition, the Company invested in the construction of water knock-out facilities for the Avouma platform, which it expects to install in the second half of 2012 along with a new personnel accommodation module.

Also during the first quarter of 2012, VAALCO contracted for detailed engineering specifications for a third platform offshore Gabon, which will provide capacity to drill multiple wells in the Etame field. VAALCO and its partners on the Etame Marin block are continuing to evaluate building a fourth platform to develop the 2010 discovery of oil in the Southeast Etame area.

Onshore Gabon, the Company and Total Gabon have completed the seismic reprocessing commitment per the terms of the second exploration period. The drilling of the exploration well is expected in the second half of 2012. A third exploration period was signed during the first quarter of 2012, which extended the permit term until mid-February 2013.

Angola:
In the first quarter of 2012, the Angolan government granted a further one year extension for drilling two exploration commitment wells in accordance with the production sharing contract. VAALCO believes it has drilling opportunities in both the pre-salt and post-salt reservoirs. With post-salt accumulations already known and with the addition of pre-salt possibilities, VAALCO remains committed to Block 5 offshore Angola.

VAALCO has been working with the Angolan government to identify a partner with which to drill the exploration wells. While VAALCO continues to desire a new partner, the Company recently provided the Angolan government with a written offer to proceed without obtaining a partner, subject to certain criteria including changes to the work commitment and working interest percentages. The Company is awaiting a response.

United States:
As announced in September 2011, the Company acquired a 65% working interest in the East Poplar Dome field in Roosevelt County, Montana. The vertical exploration well that was spudded in December 2011 will be tested in multiple formations in the second quarter of 2012 to target the formation for completion. Those tests are underway and the Company will announce the results when known. The Bakken/Three Forks formation is present, but VAALCO has elected to test three deeper potentially productive formations. Should the Company elect to complete the well in a deeper formation, VAALCO will horizontally drill the Bakken/Three Forks formation in one of the two additional wells the Company plans to drill on Poplar Dome in 2012 in accordance with the terms of the working interest agreement.

In conjunction with the two wells to be drilled in the East Poplar Dome field, the Company is also proceeding with plans to drill two wells in the Salt Lake field located in Sheridan County, Montana. The Salt Lake field, a prospective Bakken/Three Forks formation property, is 70% owned by the Company.

As previously announced, in North Texas, the Company commenced drilling a second well on the initial Granite Wash formation lease in November 2011. The well landed in the objective reservoir in February 2012 and was successfully completed and began production in March 2012.

Financial Results Discussion

During the first quarter of 2012, the Company sold approximately 388,000 net barrels of oil equivalent from two liftings at an average price of $116.59 per barrel compared to 450,800 net barrels of oil equivalent from three liftings at an average price of $103.76 per barrel in the first quarter of 2011. The Company reported operating income of $30.1 million in the first quarter of 2012 compared to operating income of $31.3 million in the first quarter of 2011.

Crude oil production averaged 21,100 gross barrels of oil per day (BOPD) in the three months ended March 31, 2012 compared to approximately 23,200 gross BOPD in the three months ended March 31, 2011. The decrease in year-over-year production volumes primarily reflects a normal production decline from mature Gabon offshore wells.

Total production expenses were $5.5 million for the first quarter of 2012 compared to $5.2 million in the prior year quarter. The increase in year-over-year production expense was primarily due to the Gabon refinery subsidy obligation, which totaled $1.1 million during the first quarter of 2012.

Exploration expense was $0.9 million in the first quarter of 2012 compared to $1.1 million of expense in the prior year quarter.

Income tax expense was $19.8 million for the first quarter of 2012 compared to $18.3 million in the prior year quarter. The increase in the first quarter of 2012 income tax included a one-time $1.5 million tax expense associated with a Gabon royalty rate reduction. This royalty rate reduction resulted in higher revenues of $3.1 million during the quarter.

Balance Sheet

On March 31, 2012, the Company had unrestricted cash of $140.3 million and no debt. The Company expects its cash balances plus cash from operations will be more than sufficient to fund the Company's remaining 2012 capital expenditure budget.

Conference Call

As previously announced, the Company will hold a conference call to discuss its first quarter 2012 results on Wednesday, May 9, 2012 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) 332-0228. The confirmation code is 246654. 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 9, 2012 on the Company's website and by dialing 1 (800) 475-6701. International parties may dial 1 (320) 365-3844. The confirmation code is 246654.

Summary financial results for the quarter are tabulated below.

	Three Months Ended March 31,	
(Unaudited - in thousands of dollars)	2012	2011
Revenues	$45,286	$46,772
Operating costs and expenses	15,180	15,430
Operating Income	30,106	31,342
Other expense, net	241	(158)
Income tax expense	(19,820)	(18,288)
Net Income	10,527	12,896
Less net income - noncontrolling interest	(1,509)	(1,657)
Net income (Loss) - VAALCO Energy, Inc.	9,018	11,239
Basic net income per share attributable to VAALCO Energy, Inc.	$ 0.16	$ 0.20
Diluted net income per share attributable to VAALCO Energy, Inc.	$ 0.15	$ 0.19

Other financial results:

(Unaudited)	Three Months Ended March 31, 2012	2011
Net oil sales (MBbls)	369	449
Net gas sales (MMCF)	116	11
Net oil and gas sales (MBOE)	388	451
Average oil price ($/bbl)	$121.54	$104.09
Average gas price ($/MCF)	$3.72	$3.41
Average price ($/BOE)	$116.59	$103.76
Production costs ($/BOE)	$14.23	$11.61
Depletion costs ($/BOE)	$12.88	$13.53
General and administrative costs ($/BOE)	$8.97	$6.61
Capital Expenditures ($thousands)	$16,924	$1,980

Basic and diluted share information:

	Three Months Ended March 31, 2012	2011
Basic weighted average common stock issued and outstanding	57,195,037	56,970,688
Dilutive options	1,112,491	1,287,017
Total dilutive shares	58,307,528	58,257,705

Forward-Looking Statements

This press release includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than historical fact, included in this press release 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 prospect evaluations, objectives for future drilling, negotiations with governments and third parties, capital expenditures, future production rates, reserve growth and other operations and activities. 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 reasonable. 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, general economic conditions, oil and gas prices, lack of availability of goods, services and capital, actions by VAALCO's venture partners, environmental risks, drilling risks, foreign operational risks, regulatory changes and risk factors contained in VAALCO's Form 10-K for the year ended December 31, 2011 and other reports filed 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, 2011, VAALCO's quarterly report on 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 300, Houston, Texas 77027, (713) 623-0801. VAALCO disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

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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